The MAGAZINE of WALL STREET

INVESTMENT & BUSINESS TREND

A Precursor of Prosperity—The Interstate Commerce Commission Ruling—Where to Invest Today—Trade Conditions—The Market Prospect

ON the first of July, the representative average of commodity prices indicated a slight advance over the previous month's level. Considered in itself the advance was not important but as the first indication of a change in trend in seven months, it was of unusual significance. The price trend of any given commodity tends to indicate the relative influence of demand on supply. Consequently, the fact that the average of commodity prices is tendency to rise may be accepted as an index of increasing demand, at least in certain directions.

The current advance in commodities is principally marked in the grains and livestock, other commodities such as the steel, petroleum, coal, etc., either being stationary or continuing to evince a downward trend. The advance in the grains, of course, is of first-rate economic importance with a secondary political effect. Wheat and corn, in particular, are being marketed to-day by the farmers with a substantial profit, the reserve of winter wheat, for example, fortunately for the farmers, being of large size. The cash receipts accruing from such sales are being used to liquidate frozen debts, unpaid mortgages and the like, leaving a balance for current expenditures. The result is that for the first time in four years there is something like cheer in the grain belt. Somewhat similar conditions are said to prevail in the livestock-growing sections.

Obviously, this lays the basis for a considerable upturn in the business communities of the middle and northwest. It is significant that the most encouraging business reports came from these sections where for several years there have been nothing but complaints.

The political effects are not so clear, but it is apparent that if the main success of radical politics in the West has hitherto been due to the economic disability of the farmers, the more recent economic recovery in these districts should tend to allay political unrest.

THE I. C. C. RULING

THE recent decision of the Interstate Commerce Commission that the farmers' demands for lower freight rates on grain in the northwest are not to be granted comes at an opportune time for the transportation systems of that territory. Present rates have not in the past few years suggested a basis of unusual prosperity for the northwestern carriers and a reduction from the present level would unquestionably have resulted in serious financial embarrassment to these roads.

The decision of the Commission, though it is to be noted that the margin of six votes to five was narrow, has a broader significance than the settlement of a rate controversy. It indicates a growing care on the part of public regulatory authorities to consider the interests of investors in railroad securities. The greatest asset the carriers can have today is the confidence of the investing public in their outlook. It may be pointed out that the current remarkable expression of confidence in public utility companies is almost entirely due to national recognition of the fact that the public utility regulatory bodies, backed by judicial decisions, had become cognizant of the fact that adequate rates would afford adequate service to the public and fair earnings to the companies themselves. Thus the right of investors in public utility prop-

erties in recent times have been safeguarded.

The railroads are now rapidly coming to the point where the attention of investors is being drawn to their now more staple financial position. An adverse decision on the part of the Interstate Commerce Commission at this particularly crucial period would have clearly undone the good effects of the past three years of constructive effort by the various railroad managements.

INTERNATIONAL RECOVERY?

THE present political truce in Europe which waits the outcome of the Interallied Conference for action on the recommendations contained in the Dawes Plan, does not serve to conceal the economic malady from which most of Europe is suffering. Only Great Britain seems financially in a position to create confidence in the future of her economic being. Of course, a favorable outcome of the deliberations on the Reparations question should pave the way for genuine economic recovery in Europe. Without such an outcome, however, the position of such countries as Germany and France becomes dubious. The fact that in the past fiscal year, the entire world has bought more from this country than it sold would seem to indicate the inability of the outside world and Europe, in particular, to regain her former favorable trade balance with us. This seems particularly true, considering that a large part of foreign payments for goods purchased here in the past fiscal year have been made in gold and not in goods. Europe's stock of gold is not inexhaustible and the time is rapidly approaching when she will be compelled to regain her old producing power or sink back to a second-rate economic position.

BOND VALUES

THE extensive rise in bonds since the beginning of the year, particularly in high-grade issues, has seemingly rendered somewhat less favorable the position of small investors anxious to put their surplus funds to work conservatively. A $4\frac{1}{2}\%$ yield is not exactly enticing to investors accustomed in the past few years to receive 6% on sound bonds. These conditions, however, cannot be helped and in the meantime the investor is confronted with the necessity of investing his money at an adequate rate of interest. To what form of security shall he turn if high-grade bonds no longer offer a suitable opportunity? A long essay may be written on this subject. In the meantime, it is suggested that the investor scour the field of sound preferred stock issues which have not yet taken the popular fancy as in the case of bonds and which still may be had at attractive prices.

INVESTORS OR SPECULATORS

THE enormous increase of public interest in the past few years in such staid investment fields as the Building & Loan, Insurance, Savings Banks, Real Estate Mortgage Bonds, Investment Trusts, and the entire field of corporate bond issues of high standing, including preferred stocks and sound common dividend-paying issues has seemingly justified the contention that the American public is leaning away from more purely speculative activity and is engaged in the work of investing its capital safely. If one considers speculation in securities or in anything else as a pernicious practice akin to gambling, then this trend toward the investment of capital is the most fortunate of developments in this country. Yet it is not clear that speculation *per se* may justifiably be considered on a par with gambling. The speculator is of two sorts, generally speaking. He is either a more or less intelligent gambler or he is a sound, constructive student of values. Even as the former he has a function in aiding the stabilization of markets at a time when more timorous folk hesitate to make commitments. But certainly as a constructive developer of industries by means of placing his capital at their disposal, thus giving them the opportunity of expansion, his function is of first-rate importance.

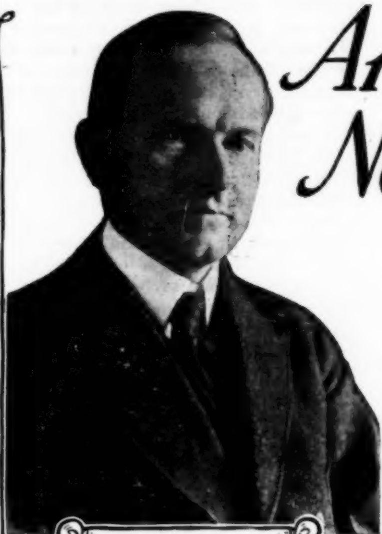
A general turning away from this high type of speculation, in other words, a general refusal to place capital at the disposal of growing industries would be a calamity and there is no valid reason to encourage such a movement. A country full of people who held nothing but bonds would soon end in bankruptcy. Fortunately, Americans are level-headed and possess more than the average degree of initiative and it is not likely that they will abandon the natural desire to participate in the profits of industry. At the same time, they will continue their tendency to invest part of their capital safely. This investment-speculative combination is the ideal toward which we are approaching.

MARKET PROSPECT

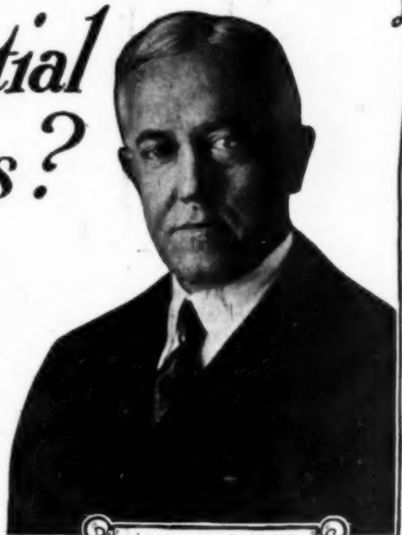
A COMPLETE review of the position and outlook of the stock market will be found on page 509.

Monday, July 28, 1924.

How Much of a Market Factor Are Presidential Nominations?



PRESIDENT COOLIDGE



JOHN W. DAVIS

IF WE JUDGE BY THE PAST WHAT MAY WE EXPECT? THE "BRYAN PANIC" OF 1896 AND THE REASONS FOR IT

By Barnard Powers

PRIOR to the recent Conventions there was much talk of "Post-Nomination" markets and the likelihood of a wide price movement following the Conventions.

How much justification for this view is afforded by history is the subject of this informative article.

DO Presidential nominations exert direct and important effects upon security prices? Are financial and business leaders apprehensive, in Presidential years, as to whether a conservative or a radical will be put in nomination and does the investing public predicate its commitments on the result of Presidential nominations?

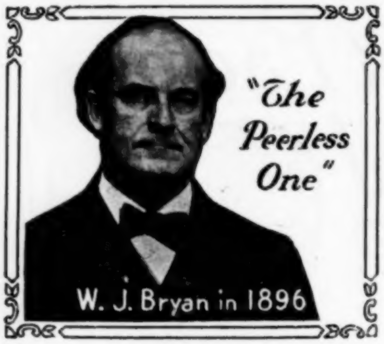
A study of pre-nomination and post-nomination markets of modern times results in a negative answer to the foregoing questions, with certain exceptions. It my be said that where a candidate of very radical tendencies comes forward, who advocates policies tending towards fundamental economic changes, and *where such a candidate has excellent chances of being elected,* then his nomination is likely to have a profound effect upon security prices. Such was the case in 1896 when William Jennings Bryan stormed the Democratic convention at Chicago with his famous "Cross of Gold" speech and received the Democratic nomination on the fifth ballot. The Democratic platform demanded, among other things, free and unlimited coinage of silver and gold at 16 to 1, no U. S. bond issues in peace, no bank currency and no tariff legislation. Byran's nomination and the immense, personal popularity which the "boy orator of the Platte" enjoyed at that time, aroused the gravest fears among business and financial leaders. Bi-metalism was recognized as financial heresy by the informed, but the popular mind was inflamed by the shallow promise of a "new day" and paid little heed to the fact that if the Government decided to pay is obligations in depreciated silver the decision might well be classed as a partial repudiation of its debts. It will be recalled that in the preceding year, 1895, J. P. Morgan had saved the country from defaulting on its gold obligations, and the fear that such a situation might recur, added to the gravity of the times.

The result was the so-called "Bryan Panic" of 1896. The convention which nominated Bryan met in Chicago on July 7 was followed by an abrupt slump in business which had been declining since the first of the year. Stocks also tobogganed, reaching their low point in August of that year. By that time the sound money forces had recovered from their panic and had organized under the leadership of Mark Hanna. William McKinley was the Republican nominee and in November was elected in one of the closest and most bitterly contested elections in the history of American politics. Of the 13,776,789 votes McKinley received 7,035,638 or a plurality of only 567,692. But sound money was saved for the country nor did the spectre of Free Silver arise again sufficiently to be regarded as a major menace.

Presidential Years

With few exceptions, then, financial history shows that Presidential nominations have little direct effect upon security prices. During the present year there was much talk of what would happen to the market "after the nominations." But the nominations have shown that such talk was chiefly of a conversational nature. Early this year (January 19th issue) this magazine published a stock-market study of election years which exploded the popular conception that Presidential years must be regarded as periods of declining business and security prices. The records show that in the last ten Presidential years, covering a period of nearly half a century, there have been nearly as many years of rising security prices as the reverse. **In other words, except in a case like that of the Bryan Panic, the market is governed by deeper factors than those of politics.**

In 1900 McKinley and Bryan both ran a second time and the year as a whole was one of declining markets. Bi-metalism and free trade were again the slogans of the Democratic party and Bryan was still the Peerless Leader. Doubtless that fact had something to do with the slump in the stock market but the real explanation undoubtedly was that the year as a whole was one of a natural reaction from two and a half years of advancing



prices. This is evidenced from the fact that the decline came chiefly in the industrials and had made its low point about the time the nominating conventions assembled for action. The last quarter of the year saw a sharp upward movement in the industrials and a boom in the rails. Bryan was again defeated, this time by a plurality of 861,459. Votes cast for all candidates, including those of the Socialist and Prohibition parties, totaled 13,881,536.

When Roosevelt Was Nominated

One would naturally suppose that the nominations of 1904 would have had a depressing effect upon the price of securities. Roosevelt with his "big stick" and growing antipathy to big capital and big business was the Republican nominee. The convention met in Chicago, June 22, with Congressman Joseph G. Cannon holding the gavel. No candidate other than Roosevelt was even considered and Roosevelt was nominated by acclamation. The Democrats, presided over by Champ Clark, met in St. Louis on July 7th and on the first ballot Alton B. Parker became their candidate. There was little doubt, however, that Roosevelt would be elected and on November 6 he swept the country with a plurality over Parker of more than two and a half million votes.

In 1904 the stock market was recovering from the "undigested securities" panic of 1903. The placing of Roosevelt and Parker in the field as the two leading Presidential candidates seemed the signal for a strong upward surge in prices. The boom which started at that time carried through 1905 and 1906 to the great smash of 1907, which is doubtless fresh in the recollections of most of our readers. It is apparent that the underlying factors of this boom and ensuing panic were economic rather than political.

Taft Versus Bryan

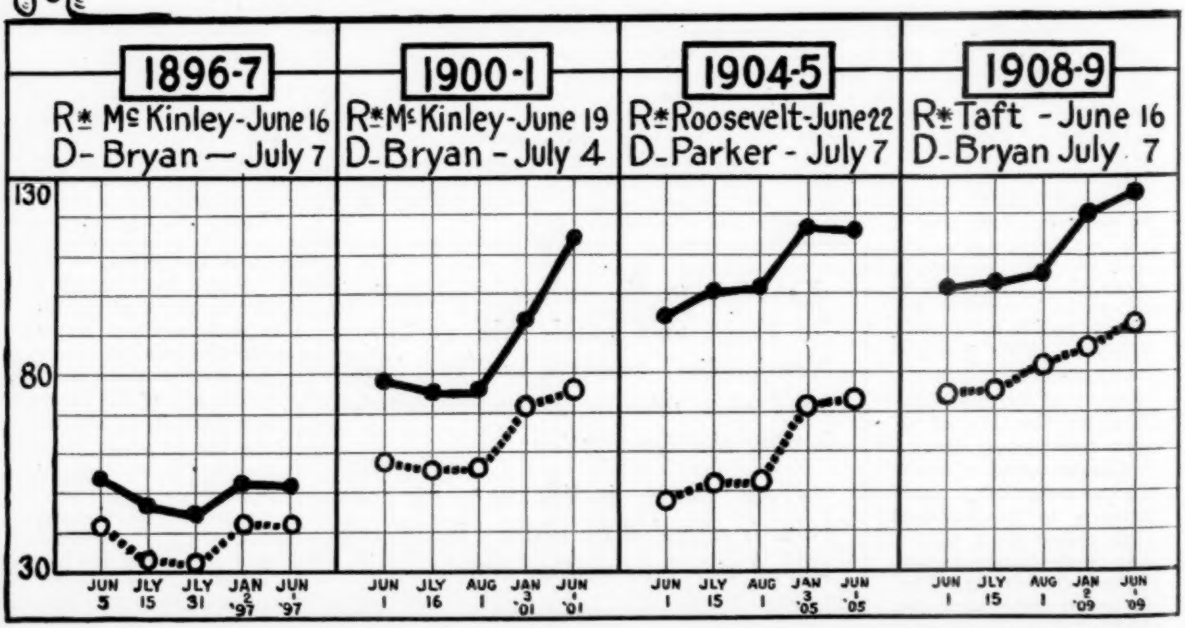
Bryan was still the dominating personality of the Democratic party in 1908 in spite of his double defeat at the Presidential polls. Parker had failed lamentably against Roosevelt and it appeared that the Boy Orator, although no longer a boy, was the one man who stood a chance of stemming triumphant Republicanism. Accordingly when the Democratic delegates met in Denver on July 7, 1908, Bryan was overwhelmingly nominated on the first ballot. The Democratic party charged that Roosevelt had used patronage to obtain Taft's nomination and demanded publicity for campaign contributions, a reduced tariff, stronger Federal regulation of railroads, guaranteed national banks or postal banks and an income tax. In those times the platform was regarded as distinctly radical.

It will be noted that the Free Silver issue did not appear. Judge Parker, the Democratic nominee in the previous Presidential campaign, had expressed himself without equivocation on the subject and the Democratic party had accepted his mandate as final. In a telegram Parker had said that inasmuch as the platform was silent on the matter the delegates should know before voting for him that he regarded "the gold standard as firmly and irrevocably established."

The Republican platform demanded reforms equally as far-reaching as those of the opposition. It declared for a revision of the tariff with maximum and minimum rates, for a national Monetary Commission, for "teeth" in the anti-trust law and for revision in the Commerce Act giving railroads rights to make traffic

What Happened to In the Past "Post-

R-REPUBLICAN CANDIDATE AND DATE OF CONVENTION
D-DEMOCRATIC CANDIDATE AND DATE OF CONVENTION
*-SUCCESSFUL CANDIDATE



agreements subject to the Commission. Bryan, as usual, made a strong showing but Taft won by a plurality of more than a million votes. The other two candidates, Prohibition and Socialist, polled only about 600,000 votes of the 14,760,000 votes cast.

The market, however, took little cognizance of political affairs. Following the precipitous and disastrous panic of 1907, which had been one of the sharpest in the history of this country, a period of recovery set in and lasted approximately two years. The low prices in the panic year were made in November and there was an immediate rebound. With the usual reactions, prices for both rails and industrials climbed steadily upwards from November of 1907 to their culminating high prices in October-November of 1909. Politics were subordinated to business.

When Wilson Won

Everyone knows that Roosevelt elected Wilson thereby ending the sixteen-year Democratic drought. The combined Roosevelt-Taft vote was 7,609,000 in round figures as compared with Wilson's 6,286,000, but Wilson's plurality over Roosevelt, his nearest competitor, was more than two million votes. Wilson's nomination was reached at Baltimore in June of 1912 only after a long and bitter contest. It required 46 ballots before the result was attained. Only when Bryan, who had stoutly opposed "Wall Street" influences, had been won to the Wilson side, was it possible to muster the required two thirds necessary to nominate Wilson. With the Republican party split wide open there was little doubt as to the results on Election Day. And with the man who was responsible for the Bryan Panic of 1896 the right hand man of the Presidential nominee, one would naturally expect that the Wilson nomination would have exercised a profound effect on the security markets. But such does not seem to have been the case. While it is true that the "Morgan crowd" sold their Steel common and other stocks the moment Wilson was nominated and while temporary weakness in the rails developed at about the time of the Wilson nomination, there was no wide-open break. In fact the market went up after the nominations, making its high for the year in September-October. From that time on the market trend was downward, culminating in the world-war panic of 1914.

The market was relatively high prior to nominations and that it should go even higher after the nominations seems conclusive evidence that the Democratic nomination had not the same significance that it did in 1896. Perhaps the voters realized that Wilson was a "safe" man, Bryan or no Bryan, or more likely the country has come to appraise Bryanism at its real worth and no longer feared it. Among other things the Democrats demanded a reduced tariff, more teeth in the anti-trust law, physical valuation of interstate utilities and no central U. S. banks. On other important matters the platform coincided with the platforms of 1904 and 1908. Free Silver was left out.

Hughes and Wilson

In 1916 there was no great issue before the people. The World War dominated the world and the personalities of the Republican and Democratic candidates, Hughes and Wilson, were the chief considerations. "He kept us out of war" was

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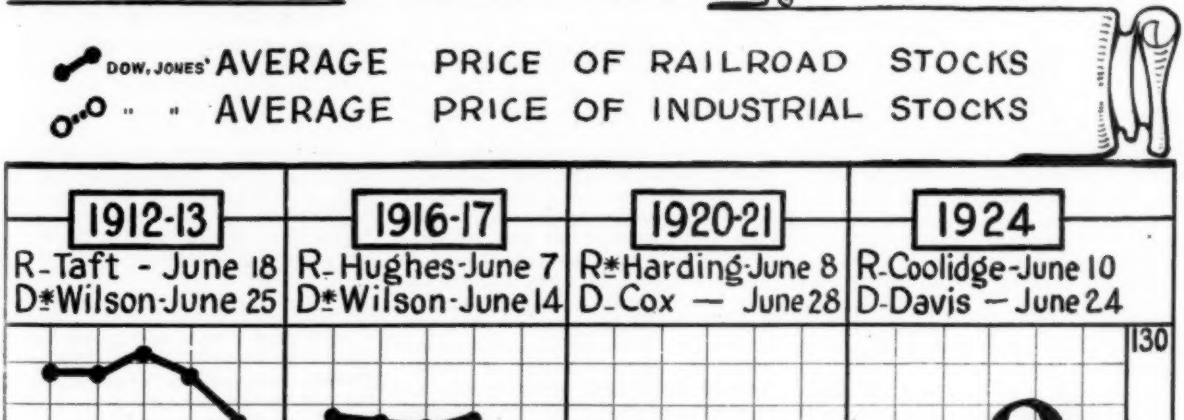
Active Security Prices "Nomination" Stock Markets



Daylight at Last for the Farmer!

Will Sensational Advance in Wheat and Corn Bring a New Era of Business Prosperity?

By RICHARD F. GRANT
President, U. S. Chamber of Commerce

This statement to readers of* THE MAGAZINE OF WALL STREET, *given in an interview with Theodore M. Knappen, is the first public comment on the business situation made by Mr. Grant since he succeeded Julius Barnes, on July* 1, *as President of the Chamber of Commerce of the United States. Mr. Grant is well-known to the American business world as Vice-President of the M. A. Hanna Company of Cleveland, Ohio.

I LIKE to look at those "curves" on profile paper that are nowadays recording the upward price movement of wheat and corn, and livestock. They may be, and I hope, are, good omens that the times, long out of joint for the American farmers, are changing for the better. Sometimes it happens, as during the last two years, that the rest of us may be doing fairly well while the farmer is not in a happy economic position; but one thing is certain and that is that when our farmers are prosperous all the rest of us are.

Agriculture is basic in this country. Traditionally we are an agricultural people. We continue to keep and ought to keep always a great stake in agriculture. Despite our leadership in manufactures we are the leading country in agricultural production. We must remain so, I believe, in order to maintain our rapidly growing commercial and industrial population. The time may come when we will have to supplement our agricultural products with like ones from other countries, but the extent of our territory is such, its productivity so great and varied, our farmers so progressive and efficient that we shall always depend on them for the bulk of our temperate zone agricultural products. I have no sympathy with the idea that we shall one day have to make a choice between agriculture and manufacturing industry, and sacrifice one to the other.

This country is an economic unit and our rural population is nearly half of it. The condition of agriculture is of necessity of concern to every other part of the economic structure in the United States. Its success or failure in production affect all other industries which draw upon its products, directly or indirectly; and its financial position is an outstanding factor with the great range of industries which supply the manifold needs of a modern agricultural population living under American standards. Agriculture has its stake in the welfare of other industries, because their activity under successful conditions means improved markets for agriculture. Reciprocally, manufacturing enterprise, no matter how great or how small, finds a large part of its market on the farms.

Speaking broadly and generally, conditions in agriculture have not been good since 1920. By exercising strict economy and utilizing all their ingenuity to attain efficiency some forms of agriculture have been able to maintain their own. A few branches of agriculture, at least in some localities, have done well. But there are large areas in which for reasons mostly beyond the individual farmer's control, there has been the greatest of hardship. It is only necessary by way of illustration to refer to the wheat farmers of the Northwest, who have had to face an unprecedented series of bad crop years, coincident with inadequate prices, and to the stockmen of the range country who have had to see their cattle sell for less than the cost of hay on which they wintered. Even in those regions where agriculture has done well, as such, it has been under the handicap of an agonizingly slow after-war readjustment which has kept the price of its commodities on a lower plane than of those for which they are exchanged.

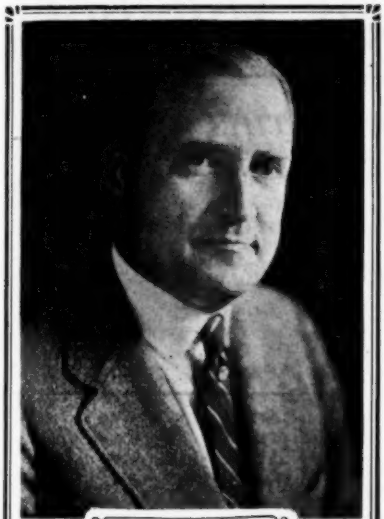
The Hardship Days Are Past

Evidence of the best kind accumulates that the days of extreme hardship in agriculture are past. There has been evident now for some time a gradual strengthening in the economic position of agriculture, both generally and in its important forms. About this improvement there has been little of a spectacular character. A great industry, like agriculture, with large invested capital and low annual turnover, in the sense of the relation of annual product to capital, does not ordinarily become sensational in its upward course, however spectacular particular commodities, like wheat or cotton, may be for a time. This deliberateness in the usual movement of agriculture, however, has its advantages, because once having taken the upward way, and once having attained a favorable level, agriculture tends to maintain it for periods which are practically unknown in other forms of business activity. It would not be surprising if, in the event of the present trend of agriculture reaching a favorable level, it would maintain its position for ten or even twenty years.

It looks now as if wheat might command next fall as high a price as would have been fixed for it if the McNary-Haugen bill had become law. If it does we shall probably hear little more of such attempts to regulate agricultural economy by law. Our farmers are the most conservative and most solid part of our citizenry, but in all long-continued periods of agricultural stress movements designed to cure their ills by political action have gained some headway. They invariably collapse as soon as, in the course of events, whether in the kindness of the weather or in the improvement of the markets, the condition of agriculture improves.

Too Much Farm Criticism

Right here I want to say that in my opinion the farmers, especially the wheat farmers, have come in for much bawling out that they are not entitled to. **I think they have done a great job in scaling down the wheat acreage about 25,000,000 acres since the war-time peak, when they were literally implored to drive it to the very limit. They are not in my opinion trying to raise any more wheat than they ought to.** On the present approximate 50,000,000 acreage, the crop may easily vary 200,000,000 bushels, and if the variation is downward there will not be wheat enough for bread, seed and a prudent reserve. Doubtless there has been too much specialization on wheat in some regions, but there are many considerations of weather, yields, climate, soil, custom, etc., which should



RICHARD F CRANT

deter us from scolding even such farmers.

After all farming is a notoriously hazardous vocation. In these latter days statistics have been added to the list of the farmer's hazards. Formerly he took a chance blindly on whether his fields were planted in accordance with the probabilities of the relation of supply and demand. Now he takes in addition a chance that official statistics, confidently accepted, will themselves be wrong. If the government can't collect and obtain statistics of agricultural production and consumption in domestic and world markets that are reasonably accurate, it would be better to have none. It is undeniable that official statistics have sometimes had the unjustified effect of "bearing" the farmer's position. I have no doubt that the price of wheat has suffered from this cause.

Speaking of wheat, its statistical position now seems to be reasonably strong. Despite all the wiseacres told the farmers about the hopelessness of raising wheat in view of the competition of Canada, the Argentine, Australia and Russia, it looks as though Canada was going to have a small crop, that Russia may be at the famine-point again, and that our own crop may not be large enough to fill the gap. Happily, the wheat region that has been hit the hardest in recent years now has an encouraging prospect of a good crop as well as a good price. The mention of price reminds me that there is the characteristic, election-year, cock-and-bull story around that the price of wheat has been artificially elevated for political reasons. In view of the world position of wheat such a yarn is ridiculous. To attempt to raise the wheat price to new levels in view of all the information we have, would be like attempting to help the tide rise.

A Reassuring Development

The steadiness of the general improvement in agriculture is not only to be expected but it is reassuring. It suggests the same soundness in the fundamental conditions of American agriculture as is shown to exist now upon analysis in other fields of American business enterprise. Agriculture is peculiarly interested in the soundness of fundamental factors, nationally. As it gets on its feet again it is not going to encounter the menace of an unsound and tottering business fabric. The American business world may be taking a bit of a rest just now, to which it is well entitled, but the future is full of promise of activity. The steady rise of agriculture will give it any support it may need.

While the slow process of agricultural restoration is far from accomplished, it may be somewhat anticipated, psychologically at least, should there be spectacular price performances by wheat and corn, and livestock. In such an event there would probably be a very tonic increase in the buying power and performance of large parts of our agricultural population. But the moderate yield outlook, on the whole (wheat, for instance, showing a condition of 79 per cent as compared with the 10-year average of 82.6) admonishes us to go slowly in our calculations on this point. However, time fights on the side of the farmer and, therefore, on the side of all of us. He is distinctly on the upward grade, steadily aligning his activities in harmony with general economic conditions, and when he is once again in a normal consuming and buying position he will be an irresistible factor making for prosperity. He will have lost time and long-denied needs to make up. The Department of Agriculture tells us that the farmer's building requirements are such that if they could afford it they could advantageously consume the entire lumber output of the country for four years. When they are buying normally their requirements are sufficient to make the furnaces spurt and the rollers whirl in the iron and steel industry. When the farmers come back the gradual passing of the great urban building boom which has been such a factor in our prosperity will have something equally good to take its place.

Incidentally, I want to make it plain that I am not at all impressed by the slight recession in general business. The whole economic position in this country is not only sound but it is dynamic. It is ready to respond to a touch of the accelerator at any time. Such recession as we have that is not seasonal and salutary is almost negligible; yet a few months and we shall be going again as fast as it is safe to go.

Getting back to the main subject, I want to emphasize the fact that nothing epochal has happened to American agriculture, in the last four years. It has gone through a terrible ordeal but not through a revolution. Its existence is not at stake; it is not under the necessity of rebuilding from the ground up in order to meet permanently new and strange conditions. It has simply had to struggle through, according to its nature, the economic upset that overtook all American economic activity in 1920. Agriculture was, not surprisingly, almost the first to suffer when the conditions of 1920, which were foredoomed by the World War, produced a general reverse, which for agriculture was probably as severe as any it has ever had to meet. In the trials of that time other forms of activity were not spared. If any proof were needed the income-tax statistics published by the Treasury Department give it. They show that manufacturing enterprise and all the distributing trades, as a whole, ran at an absolute deficit in 1921.

Revival, however, was generally easier and quicker with them than with agriculture. They have a quicker turnover, as the merchant says, when considering his annual sales in relation to his capital. Some of them have normally a turnover of several hundred per

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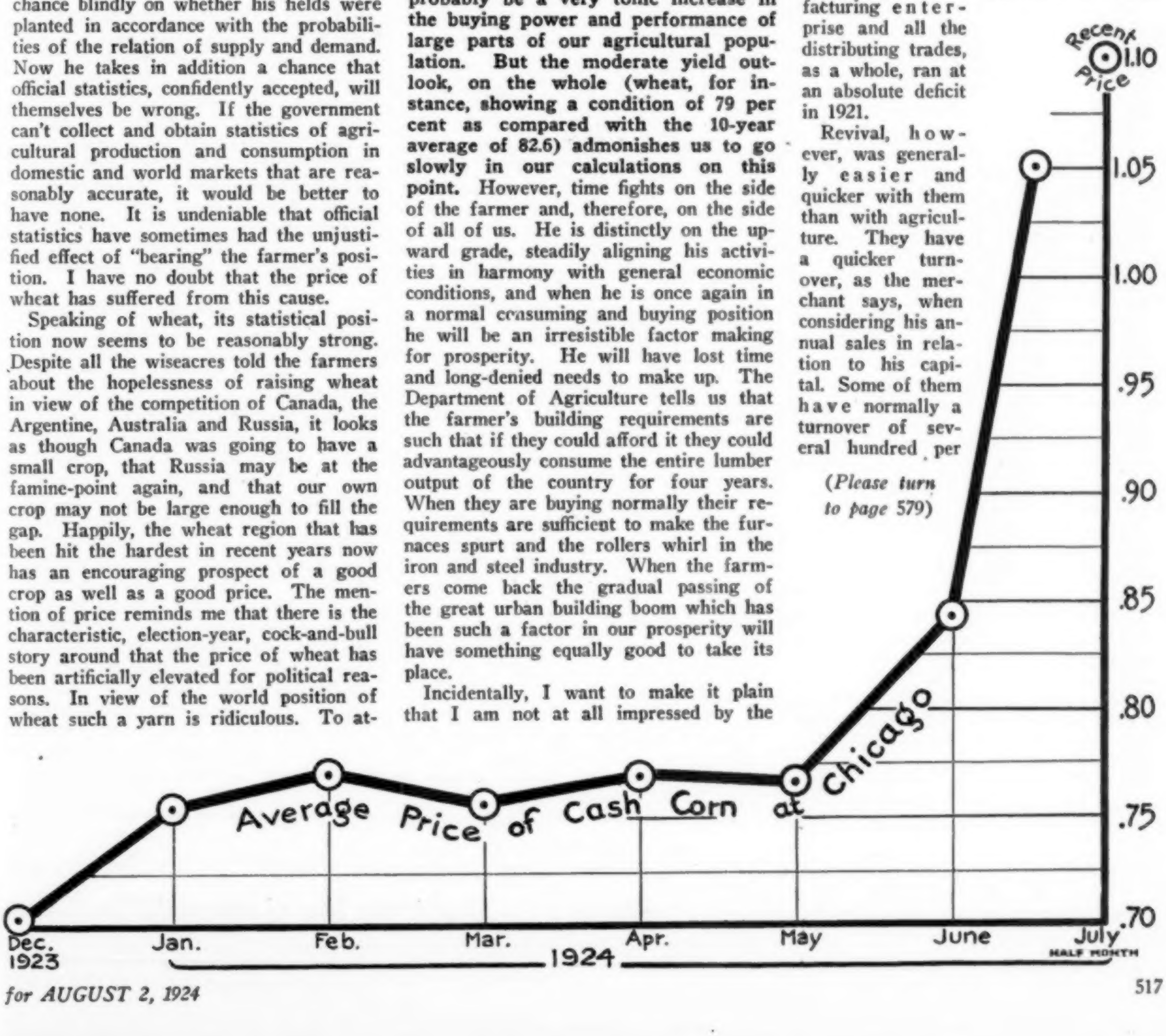


Why So Many Good Business

UNFLATTERING as the statement may be, the average business man discloses a lamentable lack of perspicacity when it comes to the subject of investments. Perhaps lack of experience would be a fairer statement. For wisdom, after all, is but accumulated experience and the accumulated experience of the average business man is pretty well limited to the field wherein he works.

Nor is it astonishing that this should be. The average individual finishes his high-school course and, if he is fortunate, matriculates from a college or university. He has learned much about English literature, mathematics, history, art, religion perhaps, the languages, has a smattering of physics, economy or philosophy, etc., etc., but almost no working knowledge of one of the most important things in every man's life, i. e., the proper method of handling investment funds. Inasmuch as the material future of every individual is dependent, to a large degree, upon successful investment as practiced during his lifetime, it seems passing strange that the modern high school or university should give practically no attention to that subject. Such, however, is the case.

> ***ARE YOU DOING THIS, MR. BUSINESS MAN?***
>
> ***—Putting all your surplus into your own business?***
>
> ***—Buying securities without first studying the companies behind them?***
>
> ***—Acting on advice that reflects personal prejudices and bias?***
>
> ***—Striving for too high a yield?***
>
> ***If you are, change your methods, NOW, while you can!***

Early Years in a Business Man's Life

Having completed his education the average individual, not being a rich man's son, goes out and gets a job. His first few years are usually much occupied in getting enough to eat and a place to sleep. Whatever surplus funds he manages to scrape together are put into the savings bank or some other such depository, until he has sufficient to warrant the dignity of a checking account. Were he grounded in investment principles he would begin laying the foundations of his investment structure at this stage of his career for it is practical to invest even small funds in securities which are safe, and marketable and which pay a much better return than a savings bank or trust company. This lack of knowledge means the loss of thousands of dollars in the course of his lifetime—that is, loss in the sense that he does not always receive an adequate return on his money.

We will assume that our average individual is averagely successful, for this article will have no meaning for the failures in life. He graduates from office boy to salesman and his salary grows from four to five figures. Usually about this time he assumes the duties of the head of a family and finds his overhead keeping pace with his income. Gradually, however, his ability is recognized by his firm, he becomes sales manager and at length is admitted to a junior partnership. His salary is correspondingly increased. Neither he nor his wife is extravagant. They own their own house and automobile, their children are well nourished and clothed and the family enjoys the friendship and respect of the community. But our hero has now reached the dangerous age. He has surplus funds to invest and he knows little or nothing about investment. He wants to make his money grow as fast as possible, commensurate with safety, and he doesn't want to gamble. Men in such position are too often the prey of unscrupulous sellers of bogus "securities" or honest but visionary promoters. He has not learned the axiom that the greater the prospect of profit the greater the risk. Time and again I have seen solid business men take investment chances that they would not dream of incurring in their own businesses. It has been said that every man buys mining stock at least once in his lifetime. Sometimes it seems that, like the measles and mumps, one has to be inoculated with the "millions in it" serum before one becomes proof against that infection. The sooner the inoculation the better. The pain is no less in youth but losses are considerably smaller and the after-effects less permanent.

Let us say that our representative business man has been inoculated against this disease or is too shrewd to succumb to it. Then comes the natural and logical inclination to put money into his own business. And commendable, too. He has grown up with the business, believes in its future and calls the partners by their first names. The idea of putting money into his firm also appeals to his sense of loyalty. But while the thought may be logical and commendable it may not be in agreement with the principles of sound investment. The usual mistake, in such cases, is to put all or too much of one's surplus funds into this one basket. In other words, the average business man has not mastered the fundamental of diversity of investment. Two striking instances will suffice.

Instances of Unsound Methods

A young man was making between $8,000 and $10,000 traveling for a long established, New England firm. During the war period this firm's business expanded greatly and there came the need for additional working capital. Preferred and common stock were issued and the young man was offered a participation *at par.* He bought about $10,000 preferred and $25,000 common, paying for the former outright and the latter part in cash and part on the instalment basis. He strained himself to do this, for it not only took his savings for fifteen years but put a lien on his earnings for years to come. The usual happened. The firm spent a lot of money in advertising, accumulated an unwieldy inventory and when the market broke took heavy losses. It did not fail but the preferred dividend was deferred for several years and the young man has never received a cent on his common. Nor can he sell his com-

"The business man must devote . . . the same study and thought to his Investment Problems as he devotes to his own business . . . That is the law of successful investing!

Men Are Unsuccessful Investors

The Obstacles in the Average Man's Way—How Most of the Losses Might Be Avoided—What Sort of Securities Should a Business Man Buy?—Some Concrete Examples

By

JAMES SPEED

mon stock, for it has no market. The other partners are not buying their firm's common stock these days, thank you.

The young man was not at fault in investing in the stock of his concern, for it was a legitimate business risk. But if he had been an experienced investor he would have taken his pencil and demonstrated that, except during the boom period, the firm in its thirty years of existence had never earned enough to warrant a dividend on the new capitalization. Therefore, while the preferred was not a bad purchase, the common was an out-and-out speculation and not worth anything like par. He violated two fundamental principles, first that of putting too large a portion of his funds into one place, and second that of not taking into consideration the matter of marketability.

Another young man associated with a large automobile manufacturing company put most of his savings into the common stock of that company at $60 a share. He received a large salary and was in closest touch with the company's affairs. It went through the same process of overexpansion as the other firm and narrowly escaped a receivership. The stock went down to less than $5 a share and the experience cost the young man between $25,000 and $30,000. Like the other individual he cannot be blamed for backing the company for which he was working and in which he believed

His case was different, in that the record of the company apparently warranted the expansion in capitalization. Losses came from bad investments in concerns outside the motor-car industry. That such would be the case neither this individual nor perhaps anyone else could have foreseen. But his error was twofold, first that like the other man he put too much of his money in one place and secondly he failed to take a quick loss when it became evident that a loss would have to be taken. He had not the alibi that he could not sell his stock, for it was actively traded in on one of the largest exchanges. Nor could he allege that he was not conversant with the trend of affairs, for he was in an excellent position to know what was going on. He simply had not learned the investment principle that no form of investment must ever be regarded as *permanent* and that the axiom "he who fights and runs away will live to fight another day" is as true in finance as in war. In short, he should have got out of his bad investment when he saw how matters were going, pocketed his loss and stood by ready to recoup when opportunity offered.

The Other Extreme

In neither of the above instances were the results catastrophic. Both individuals were young, full of hope and energy and both are successful today. The second individual is making a very large income and will doubtless die a rich man. But as the result of their experiences both buy bonds almost exclusively. They have swung to the other extreme. From taking unwarranted chances they now refuse to take even a legitimate business man's risk. Thus their financial progress will be much slower than it should be. That such a procedure is an incalculabe improvement over the former course cannot be gainsaid but the fact remains that neither of these individuals is making the most of his opportunities.

The question naturally arises: How much of a risk is the business man justified in taking? The answer is: That depends! **The percentage of justifiable risk will vary in each individual case.** A man of 30 will be justified in taking a greater business risk than a man of fifty. One with a yearly surplus of $50,000 can afford to go farther in the matter than one with only $10,000 annual surplus. Present and prospective earning capacities, fixed obligations including dependents, one's financial objective, position of the security market and the state of business in general are among the many factors which must be taken into consideration. Obviously when the market as a whole is bumping along the bottom after a long decline one is justified in purchasing sound securities with less margin protection than when they were forty or seventy-five points higher.

A Few First Principles

It is not the intention of this article to discuss the entire theory of investment. The idea is to throw out suggestive comment which will be of value to the average business man in making his investment selections.

We have already touched upon the matter of diversified investment. **The practice of the most successful business investors is to keep at least 50% of their surplus funds outside of their own businesses "in case of fire."** And these outside investments are spread

(Please turn to page 574)

Here Is a Good, Representative List of Business Men's Investments

Combining a fair return, good marketability, comparative safety of principal and an opportunity for appreciation.

BONDS	Issue	Int. Chgs. Times Earned*	Price Range 1924 High	Price Range 1924 Low	Recent Price	Yield at Recent Price %
Manhattan Railway Co.	Cons. 4s of 1990	2.1†	61	56	61	6.6
Wilson & Co.	1st 6s of 1941	1.3	98	80	88	7.2
Erie Railroad Co.	Gen. lien 4s of 1996	1.3	61	53	59	6.8

* Average number times interest charges have been earned on entire funded debt during the past five years. † Estimated average, Interborough earnings not included.

PREFERREDS	Issue	Dividend Times Earned	Price Range 1924 High	Price Range 1924 Low	Recent Price	Yield at Recent Price %
American Ice Co.	Non-cum. 6% pf.	2.2 (a)	83	79	80	7.5
Pub. Serv. Corp. of N. J.	Cum. 8% pf.	3.4 (b)	105	99	104	7.7
Austin, Nichols & Co.	Cum. 7% pf.	1.5 (c)	88	79	82	8.5

(a) Average number of times earned in past five years, (b) in past four years, (c) in past two years.

COMMON STOCKS	Issue	Earned Per Share 1923	Current Dividend Rate	Price Range 1924 High	Price Range 1924 Low	Recent Price	Yield at Recent Price %
New York Central R. R. Co.	Capital Stock	$16.90	$7.00	107	99	105	6.6
Brooklyn Edison Co., Inc.	Capital Stock	14.40	8.00	116	107	112	7.1
Chile Copper Co.	Capital Stock	3.35	2.50	28	25	28	8.9

Have you ever wondered what arguments are used to induce investors to open accounts with questionable brokerage houses? Note the following amazing and patently untruthful statement, made by the manager of a large non-member "brokerage" house to a member of The Magazine of Wall Street's Staff who posed as a novice:

"We Split Commissions With a Stock Exchange Member!"

A Recital of the Line of Talk Proffered to an Inquisitive Investigator Who Sought to Discover "How They Get Away With It"

By a Member of the Staff

IF anyone has doubts as to the continued existence of large houses doing a stock brokerage business on a questionable basis, let him consider this:

Almost in the very center of the financial district is the temporary headquarters of an organization professing to have been in business for very nearly a quarter of a century. It occupies practically an entire floor in a fairly modern office building. It has news tickers, stock tickers and a board-room in which price changes in all active listed securities are faithfully recorded for the benefit of unsuspecting customers. It publishes a weekly market letter that is circulated all over the country by the thousands. Judging from this letter, the bulk of its business consists of buying and selling orders in such issues as are ordinarily traded in by the customers of the most reputable brokerage houses.

So far, so good; but here is where the rub comes: Despite its volume of dealings in listed securities, this organization is not a member of the New York Stock Exchange or any other exchange, nor does it profess to do an investment banking business similar to that of many reliable institutions which are not members of exchanges. The question arises, How do the backers of the organization explain its economic existence? How is it able to execute orders at a profit without exchange connections and yet charging the regular commission rates?

In search for an answer to these questions, I made a personal call and posed as a prospective client. At my request, one of the three customers' men who had come forward and insisted on shaking hands, led the way to the manager's desk.

The manager, whether or not he was one, looked the part of the typical bucket shopper, and acted that part to perfection. Hungry for business and not backward about seeking it! He waived all preliminaries. "See anything on the board you'd like to buy?" he queried.

Frankly, I didn't, and told him so. But anyway, I added, I felt in a buying mood. Perhaps he could suggest something?

So he could. Bayview Chemical was in preparation for a big rise. Hadn't it shot up from around 20 to above 80 during the past year and made everybody in the office happy? Didn't he always put his customers into the good things and on the right side? This time Bayview was slated for par, and those willing to sell it for 58 were merely giving it away. Couldn't he put me down for a hundred shares on a ten-point margin?

"But I don't know a great deal about that stock," I explained.

"Neither does anybody else," he said, soothingly. "They all trade in it around here because it's a mover. Always moving, up or down. It has speculative possibilities," here he buttonholed me for the final stab, "and as I told you before it's headed for par this time. We're on the inside."

I couldn't see Bayview Chemical. What did he think of Continental Steel? Very good. And Atlantic Seaboard Gas? Also good, big things expected. I then mentioned several other securities that no self-respecting bank would dare accept as collateral. They all passed muster in his estimation and could be carried on margin!

An Amazing Explanation

"But what would I have to pay in the way of commissions?" I asked. "If I buy stock that's listed on the New York Stock Exchange and you aren't a member, won't I have to pay two commissions?"

"Why," he explained, "don't you know we charge just the same as any other brokerage house? I can see you haven't done much trading! The regular one-eighth point or the Stock Exchange rate is our commission rate."

"Then what do *you* make?" I countered. "Don't you have to pay a commission in order to get my orders executed?"

"Oh, yes," he agreed; and then, confidentially: "*We have an agreement with a Stock Exchange member whereby we split commissions.* That's how we make our profit. You see it's cheaper to do it that way. We are able to use all the money we would ordinarily have to put up for a seat on the Exchange right here in our business."

So that was his alibi! Evidently he didn't know I was familiar with the rule of the Stock Exchange which says, in part, "*Commissions shall be absolutely*

(Please turn to page 569)

That dishonest brokers are still doing business although maybe not at the same old stand, is proved by this article. It should be read by all investors and especially by those not yet familiar with the Bucket Shopper and his ways.

Which Stock Groups Are in the Most Favorable Position?

The State of Trade in Each of the Leading Lines — What Will the Future Bring?

> ***"Do Steel Trade conditions justify the purchase of Steel securities?***
>
> ***"If so, which of the Steel issues are in the best position?"***
>
> **The accompanying article answers these two questions as applied to each of the most important branches of industry.**
>
> **As the article very fully covers the ground generally treated in our TRADE TENDENCIES DEPARTMENT, the latter department is not included in this issue.**

STEEL FEW of the major industries have had such a pronounced slump as the steel business during the past few months. As recently as April, last, operations of the independents were above 80% of capacity and yet by the close of June they had dropped to around 45%, and total steel output for the month of June was but two million tons in round numbers compared with over three million tons for March. Right at this time, the United States Steel Corporation's unfilled orders are at the lowest level in thirteen years.

But all this is past history. It is generally known and has, no doubt, been fully discounted in the stock market. What now concerns the investor and manufacturer alike is whether the bottom has been reached and a start made on the upgrade.

Judging from existing fundamental conditions there is good reason to believe improvement is on the way. For one thing, present shipments are in excess of production and yet practically every buyer of steel is buying for immediate delivery only and in such quantities as he is able to use to fill his present orders. In other words, dealers' stocks are unusually low and no effort has yet been made to bring them up to normal.

Many of the industries that use steel in large quantities will undoubtedly be in the market this fall on a much more substantial scale. The building industry, for example, is holding its own and will require large amounts; the railroads are said to be contemplating another big buying program while cheap money is to be had to finance improvements and additions; and so on down the line.

Although prices have not started upward on steel products, there have been signs of a firmer trend. Within the past month, scrap prices have advanced and it is worthy of note that the scrap market has more than once been the first barometer to point to a turn. The composite price of finished steel is now around 2.58c. per pound compared with an average of around 2.7c. in the spring of the year. This decrease, along with declining production, has done much to wipe out the producer's margin of profit, and it is likely that the producer's total earnings for the current year will be nothing more than fair.

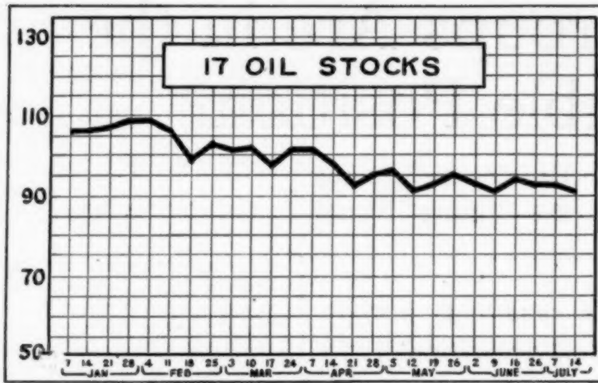
From the long range point of view, however, it may be said that all indications favor increased steel production, rising prices between now and the end of the year and a gradual widening margin of profit for producers. Third and fourth quarter earnings should show an upward trend.

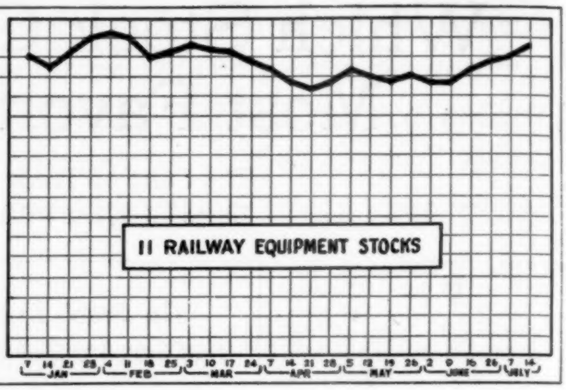
The market action of the steel stocks has been dissimilar from that of all other groups combined as will be seen from the accompanying charts. While the average index price of 202 industrials now stands around a new high for the year and about six points above the previous low point, the steel group has shown but a very moderate rise. The average index price as of July 15th was 86.4, comparing with a high for the present year of 97.8 and a low of 82.0. Little has been discounted in the way of prospects for improved conditions in the industry.

There is apparently no reason why the steel group is not entitled to the same degree of higher prices that has been enjoyed by many other groups and on the whole it offers the investor opportunity to purchase several sound securities at favorable levels. Those that are likely to be affected by a probable passing or reduction of the dividend should

The Most Attractive Stocks in Eight Leading Industries

Steel	Automotive	Copper	Tobacco
1) U. S. Steel	1) White Motors	1) Chile Copper	1) American Tobacco
2) Gulf States Steel	2) Mack Truck	2) Kennecott Copper	2) Tobacco Products
3) Sloss-Sheffield S. & I.	3) General Motors	3) Cerro de Pasco	3) P. Lorrillard
Coal	**Equipment**	**Oil**	**Sugar**
1) U. S. Distributing	1) American Loco.	1) S. O. California	1) Cuba Cane Sugar, pfd.
2) Burns Bros. "B"	2) Lima Locomotive	2) S. O. New Jersey	2) Punta Alegre
3) Phila. & Read'g C. & I.	3) Railway Steel Spring	3) Texas Company	3) See Text





of course be avoided. **United States Steel Common, Gulf States Steel, and Sloss-Sheffield are entitled to preference over all others.**

AUTOMOTIVE

EVENTS have taken place in the automobile industry during the current year that have been puzzling even to the manufacturers themselves. At the very outset, production was at record levels with prospects of five million cars being produced during 1924. Manufacturers were stocking up in anticipation of a large spring demand. Then came the unexpected slump in retail trade—generally attributed to weather conditions—and plant output had to be reduced. Expectations of large sales had revolved themselves into an inventory problem.

As a result of all this, production of automobiles in the first half of the year was slightly below that for the same period of 1923. Profits were also much smaller, as might be expected. June was the worst month of all for the industry.

The trade conditions outlined above have not been shared by the truck makers, especially those whose products are available for use as passenger busses. While the pleasure-car manufacturers have been more or less hard pressed, the bus makers have been doing quite a good business, the demand for their equipment having greatly exceeded expectations.

Viewing the industry as a whole, it may be said to be unlikely that this year's production will be much above the three-million mark. Exports, which have been unusually heavy, should be of some aid to several manufacturers in tiding over the present slump in domestic business, but profits will be small in the majority of cases. **Real improvement must await a strong buying movement, and such a movement is unlikely to develop much before the end of the year.**

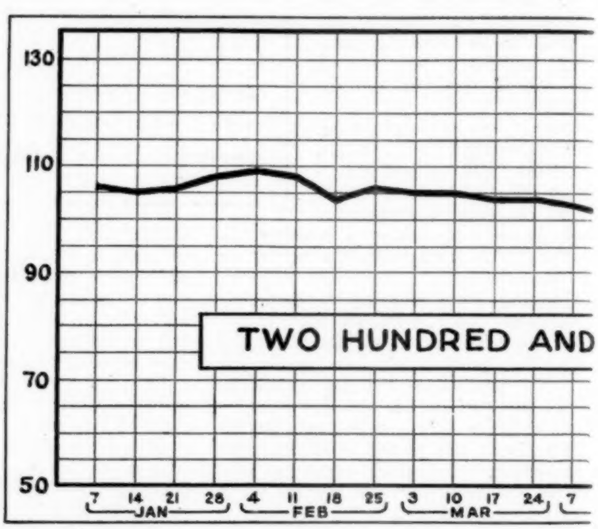
Recent changes in market prices of automobile stocks illustrate the ups and downs of the industry. At one time during the spring the average index price for the group stood at 79 and later fell to an extreme low of 63. This loss of sixteen points compares with a loss of but 10 points in the average index figure for all classes of industrials.

At present levels around 70, the automobile stocks have regained about half their loss. The outlook for the industry does not favor greatly higher prices at this time, but on the other hand, present levels appear to be entirely justified.

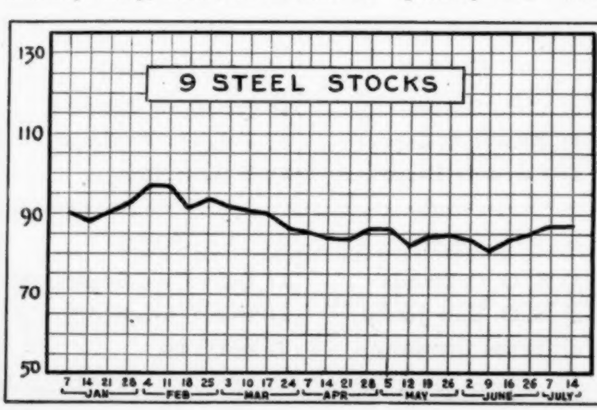
Comparatively speaking, the motor-truck shares are in the most favorable position, and White Motors, Mack Trucks, Inc., and General Motors appear to offer the best individual opportunities.

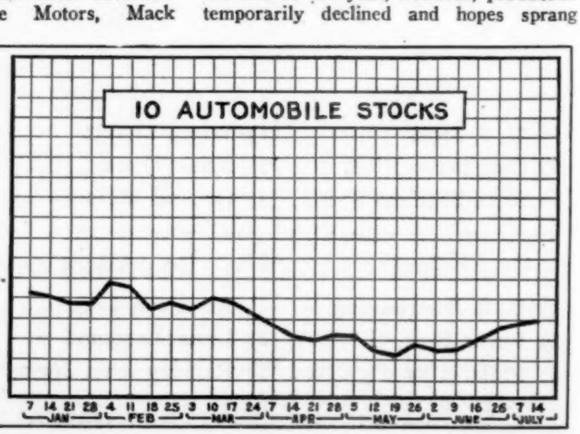
OIL

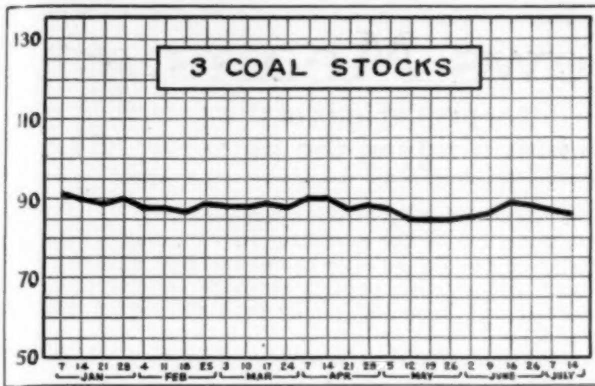
THE depression in the petroleum industry has existed for so long a time that the governing causes have become

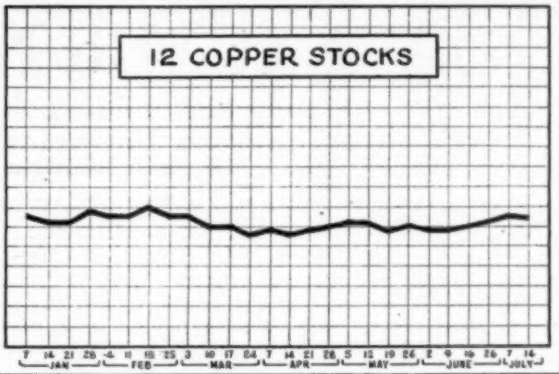


an old story. During 1923 there was a period of rapidly rising production and falling prices. Consumption of oil averaged 1.7 million barrels daily against production of 2 million barrels. Toward the end of the year, however, production temporarily declined and hopes sprang



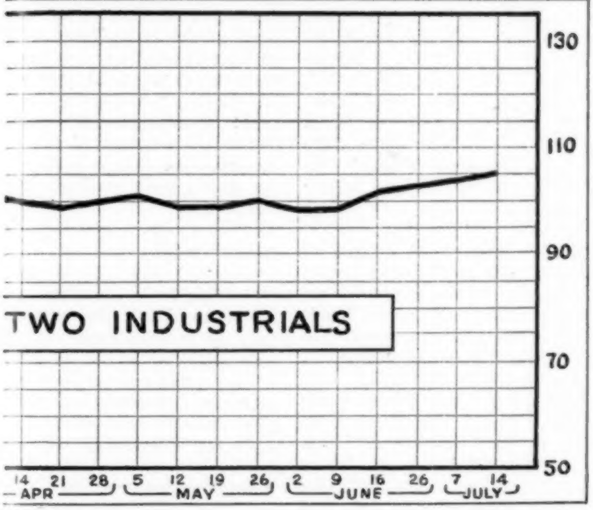






up that the turn for the better had come. At the beginning of the current year prices were rising and the outlook was for fair profits in practically all branches of the industry.

In order to appreciate what has happened since one need only glance over



the numerous statistical reports that are available covering recent operations. Whereas consumption of crude oil in 1923 amounted to 730 millions of barrels —an increase of 26% over the previous year—and while this year's consumption should show a similar increase, production has again become burdensome to the industry. Petroleum refineries established a new record output of gasoline in May, last, and this new production, combined with the large stocks on hand, has brought about something of a price war. Thus, price reductions are now being posted in all sections of the country.

Crude prices, furthermore, have been reduced until they now allow little in the way of net earnings in many cases.

Profits for the current year will be sufficient to cover the dividend requirements of many of the oil companies, due to fairly good showings in the first half of the year.

There is nothing to guide one who attempts to predict the turning point in the industry although it is evident that conditions have just about reached their worst. The important fact from the security buyer's standpoint, however, is that by now about everything in the way of bad news has been discounted.

Oil stocks have declined considerably from the high point of 1924 and have failed to regain any of the decline. This, in itself, is evidence enough that little hope is entertained of any immediate recovery in the industry. The average index price for 17 petroleum stocks shows them to be selling very close to the lowest prices reached in 1923 as well as the present year and strong resistance has been shown within the past few weeks by the better-grade securities in this group.

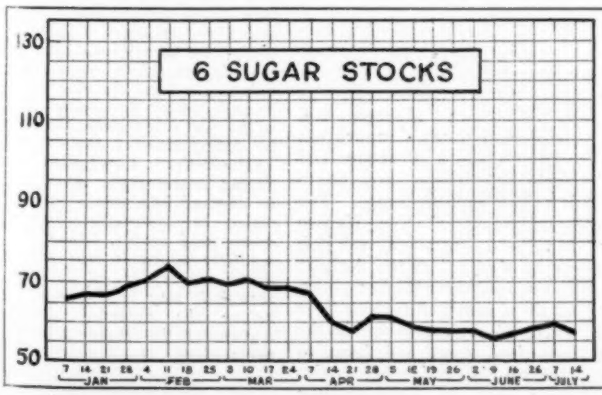
For the investor who would be willing to "stay with" his commitments over a period of time and who confined himself strictly to the stocks of companies occupying an invulnerable position, the present oil situation offers what may be called a favorable opportunity. **Standard of California, Standard of New Jersey and Texas Company are the three companies in this group which should be given first consideration.**

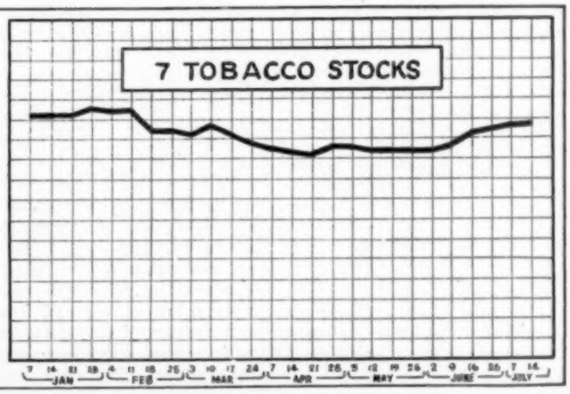
COPPER

ALMOST the same conditions exist in the copper industry as those that characterize the oil trade. The consumption of copper has been increasing steadily over a period of two years or longer and yet production has more than kept pace. In 1923, consumption of copper in this country is estimated to have totaled 1.3

(Please turn to page 576)

(Index figures used in this article are from data compiled by the Standard Statistics Co.)





What the News Means

~ Timely and plain-spoken interpretations of the important financial happenings of the day ~

NOMINATION of Coolidge by the Republicans at Cleveland and Davis by the Democrats at New York, occasioned no ripple in stock prices. Announcement of the candidacy of La Follette followed Senator Wheeler's bolt from the Democratic party to the La Follette camp was also received with equanimity in the financial center. What does it mean? Simply that politics are not a market factor of importance in the current Presidential year. The financial and investing public sees nothing in the political situation to warrant a change in their pre-nomination market position. Wall Street believes that business conditions will improve and Coolidge will be elected. Political events may develop which will cause a change in that attitude but they have not to date and so the market goes serenely on its way.

THE recent drastic declines in **Stewart Warner Speedometer Company** stock as recorded in daily markets naturally foreshadowed the decisive cut in dividend payments to shareholders. That this action would ultimately be taken has been apparent for months. Aside from the curtailment in automobile production, probably no accessory company has as keen competition to meet as Stewart Warner. It manufactures a variety of accessories, but the greater number are also vigorously offered to the trade by other strong organizations, and in its special field—that of speedometers—it has met greater competition than in probably any other line. The probabilities are that only through sales of the most expert kind will the company be able to show anything like the earnings of the past when it enjoyed more or less of a monopoly in its line. Considering the asset value of the stock, the management was not warranted in paying more than $5 a share considering the narrowness of the margin between earnings and dividends.

WHEN persons vitally interested in an industry differ widely as to its outlook, it is very difficult, if not impossible, for the outsider to correctly gauge the conditions therein. The **Sinclair Consolidated Oil Corporation** has just passed the quarterly dividend on the common stock, giving uncertainty in the industry as the reason therefor. Cuts in oil and refined products are reported all over the country and the daily papers are full of stories of overproduction. On the other hand, Mr. Doheny, of the Pan American Petroleum & Transport Company, who is equally as good an authority, holds that there is no reason to become alarmed over the situation, and states that a good supply is the backbone of prosperity of the industry. Undoubtedly, some of the smaller factors have been squeezed by the narrowing of margin between selling price and cost of production but, judging from past operations, the well financed and low-cost operating companies have nothing to fear. Price reduction and difficulties of marketing will undoubtedly furnish their own correction. When bearish reports not only become public property, but are shouted from the housetops, if we take a lesson from past experience, it is time to feel that they have been discounted by the market.

The recent order of the Federal Trade Commission that the United States Steel Corporation cease and desist from its practice of charging "Pittsburgh-plus" rates for its important steel products called forth the comment by several statisticians that this would cost the Corporation about 30 millions a year, equivalent to six dollars a share on its common stock. Whereupon, the stock promptly rose from about par to over 102 where it is selling at this writing. Evidently, the market is not at all worried about the outcome of the Federal Trade Commission's ruling. The fact is that even such rulings cannot affect the inner position of a Corporation so tremendously strong in a strategic way as is the U. S. Steel Corporation. Furthermore, the Corporation is not asleep and knows how to protect its interests. We do not see why investors in Steel common should be caused any anguish by this latest move of the Government.

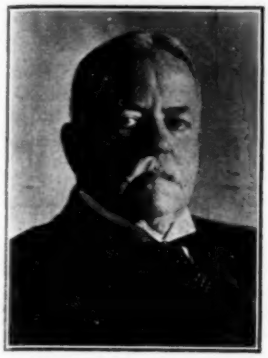
U. S. Steel Corporation's unfilled tonnage on June 30th amounted to 3,260,505 tons, a decrease of 365,584 tons as compared with unfilled tonnage on May 31st. Forward business on hand June 30th was the lowest reported by the Steel Corporation since November, 1914. This report should not be interpreted as bearish on U. S. Steel. In the first place, there has been such marked improvement in the past couple of years in prompt shipments of steel products that consumers no longer feel obliged to order their requirements far in advance, which naturally results in low stocks in the hands of consumers throughout the country. The quickening of business activity, which now appears probable by the early Fall, should therefore result in an early increase in U. S. Steel's unfilled tonnage. There are many indications that the worst news is now out with regard to the steel industry, and that from now on improvement will be the watchword. In the last few weeks the trend of the industry has already shown a slight upward tendency.

THE developments that may result from the decision rendered July 14th, last, in the injunction suit brought by **J. M. Van Heusen** and the **Philip-Jones Corporation** against Cluett, Peabody and Earle & Wilson are worth while contemplating. The basic patent of Van Heusen has been sustained which means that unless the decision is reversed in a higher court, all those companies which have infringed the patent within the past few years will have to give up the entire net profits made from the sale of collars of the Van Heusen type. In some few cases the amount might be considerable.

Prospects of receiving the profits made by other companies have been the cause of the recent rise in the common stock of the Philip-Jones Corporation from a low of 44 for the year to a recent high of 87. It is yet too early to attempt to measure the amount that might be received by the company, but it is evident that the strong trade position that would result from a final favorable decision would bring in large profits.

ALTHOUGH the directors of the **U. S. Rubber Co.** have declared the regular quarterly dividend of $2 a share on the preferred stock, it by no means follows that the dividend is now even reasonably safe. It is probably true, as

Not so long ago we published an article covering the position and outlook for the silver industry, commenting on the prospects for several of the more favorable situated stocks such as American Smelting and U. S. Smelting. These stocks are now selling a good deal higher than at the time of our analysis which shows that it pays to study the movements of commodities as related to security values. In fact, the rise in securities which has taken place in the past few months has been in anticipation of the rise in commodities. Companies producing commodities which are in demand and whose price is rising are naturally going to make good profits. Other commodities which it will pay to watch are copper, oil and steel though it may take some time before the expected upward movement in these products takes place.



JULIUS KRUTTSCHNITT
Chairman, Southern Pacific Railroad

has been reported, that earnings for the first six months of 1924 were sufficient to cover the preferred dividend requirement, and to leave a surplus equivalent to about $2.50 a share on the common. But in spite of the considerable progress that has been made in cutting down overhead, it is still a question whether the preferred dividend will be earned in the second half of 1924. Normally this is the dull period of the year, and as the company will be under the necessity of writing off a considerable sum of inventory account before the end of the year, to say nothing of paying off some part of its enormous bank loan, it is quite obvious that all speculation upon the company's ability to maintain the preferred dividend is by no means ended.

WHEN the oils get weak **Houston Oil** sells off in sympathy and then the market "dries up." This would indicate one of two things. Either that the greater part of the stock is held in few and strong hands, i. e., that it is not widely distributed or else that holders of Houston stock are very much in the long-pull investment class. As a matter of fact, the real answer is entirely different. All of Houston's preferred and about 90% of the common is held in a voting trust and will remain there until the $535,466 outstanding accrued dividend certificates are retired. This situation is a great deterrent to active trading in the issue and the stock, therefore, rises and falls on comparatively small volumes of transactions. A market like Houston's is not often a good index of intrinsic values.

IT is often true that the most inaccurate and inconsequential news is to be found under the big headlines on the front page of a daily newspaper, whereas the really important information is often tucked away in some obscure paragraph among the advertisements in some back page of the issue. Almost every day something is said about **Copper,** and now and then some figures are presented that may be given a highly significant interpretation. In a recent issue of a daily newspaper the following second-hand figures were presented indicating that the stocks of refined copper in the hands of North and South American producers were reduced by about 3 million pounds during June. Shipments were estimated at about 208 million pounds, and production of refined copper at 205 million pounds, making stocks on July 1st about 222 million pounds, compared with 225 million pounds on June 1st. Total shipments for the six month ended June 30th were estimated at 1 billion 390 million pounds, or an average of 233 million pounds a month, the highest six months' average in the history of the industry. It was also stated that the stocks of refined copper in the first half year had been reduced 88 million pounds.

These figures indicate that, while the recent behavior of copper shares, many of them at around comparatively low levels, suggests a dullness in the industry and a considerable degree of pessimism with regard to the immediate future outlook, actual stocks of copper are only about two-thirds of what has heretofore been considered a normal supply, and that one month's deliveries at the present rate would about wipe out the present stocks if production were discontinued. This suggests that any substantial increase in demand for the metal, either domestic, or from Europe in the event of a nearby improvement in conditions there, would call for a prompt increase in production. In spite of the fact that the productive capacity is large, and many of the smaller companies would be able to supply the market with additional metal, it is probable that a moderate increase in the price would benefit to the greatest extent about half a dozen of the larger low-cost producers who are in the best position to take prompt advantage of any favorable readjustment in market conditions. All of this suggests that the larger low-cost producers, such as Kennecott, Chile, Cerro de Pasco, Utah Copper, and Magma on account of its higher-grade ore and low costs are in a position to hold their own in the present market, and respond quickly and favorably to any substantial stimulation of the demand for the metal. In other words, conditions suggest that there is not much risk involved in holding such stocks, and that they are likely to show a considerable profit if held patiently for a reasonable period of time, say, six to twelve months.

A RECENT news item in an investors' column referred to the new high price registered by **Southern Pacific,** and offered two reasons for the insistent buying of this issue. One was the investment value of the stock, which had been referred to time and again in previous comments of a similar nature. Another reason was said to be the expectation that the dividend would be increased at the forthcoming meeting of the directors on August 14th. This expectation was based on the earnings, which this year promise to exceed those of last, when the road earned nearly $13 a share. As in the first case, the second suggestion has been many times repeated, with the additional comment that the President of the road is in favor of a conservative policy and therefore unlikely to be hasty in favoring an increase in the dividend rate. These constant repetitions of the same statement are not significant in themselves, but when it is observed that the market action of the stock indicates persistent accumulation, with ample buying orders supporting the price at gradually increasing levels, it is natural for the investor for profit to look upon the stock's behavior favorably in anticipation of a nearby more rapid advance of proportions to justify the stock's steady accumulation over a period of many months.

JAMES A. FARRELL
President, U. S. Steel Corporation

WELL KNOWN MARKET TERMS No. 2

Weakness in the coppers

Last April, when **Baldwin Locomotive Works** was operating at less than 40% of capacity, President Vauclain openly predicted that by June 1st the plants would be operating at 45% of capacity, by July 1st at 50% and at 100% before the end of the year. Thereupon liquidation and short selling instantly ceased and public buying of the stock has been increasing ever since—which goes to show that it pays to be frank with your public.

Bonds

When—and When Not—To Buy

Serial Bonds

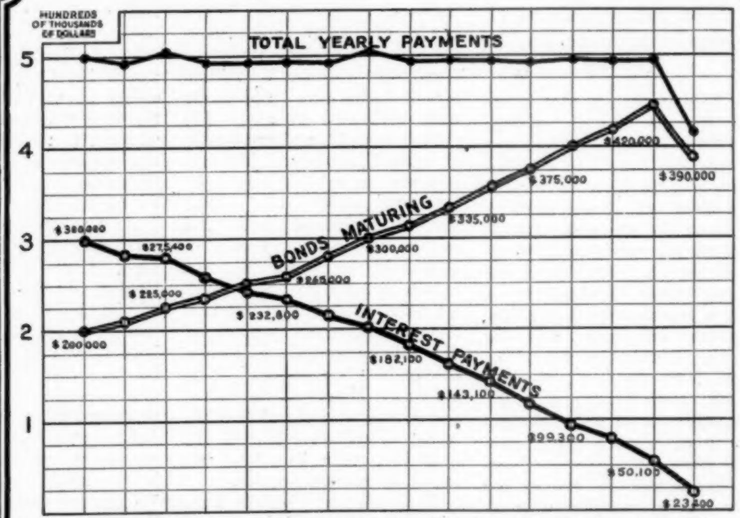
What Investors Should Know About This Type of Security

THE great majority of those who trade in bonds rather actively will tell you that they wouldn't think of putting money into serial bond issues because bonds in this class as a rule have a poor degree of marketability which is another way of saying that they are a lot easier to buy than to sell.

There is no denying that there is a certain amount of logic in this. While a particular serial bond issue may be large and deserving of a broad market, it is always handicapped by the fact that the amount of the issue maturing in any one year is small and the problem of finding a buyer for certain maturities is not a simple one. Thus, the spread between the bid and asked price in the open market is wide, sales are few and far between, and the holder is sometimes forced into the position of an unwilling investor who cannot both readily and advantageously liquidate his holdings should the occasion arise.

That is the soundest point of argument against the purchase of serial bonds: Poor marketability. For the man who is an active trader and whose objective is speculative profits or for one who is in need of investments at one season of the year and cash at another, serial bonds, no matter how sound intrinsically, are a poor investment medium.

HOW A SERIAL BOND ISSUE IS PAID OFF



THE ABOVE CHART DEPICTS A PLAN FOR AMORTIZING A $5,000,000 SERIAL BOND ISSUE TO BE ENTIRELY LIQUIDATED IN THE PERIOD FROM 1923-1938. FIGURES ARE APPENDED AT VARIOUS POINTS TO SHOW THE EXACT AMOUNTS TO WHICH THOSE POINTS REFER.

There are, however, other angles to consider.

Some Good Examples of Serial Bond Issues Now Being Dealt In

Company	Issue	Authorized Amount	Priced at Mkt. to Yield Ab't	Maturities
Baltimore & Ohio R. R. Co..........	5% Equip. Tr. Cert., Series "A"	$7,000,000	5.10	Due $500,000 each Dec. 1, 1925, to 1938 inclusive.
Brown Company	Deb. Gold Serial 6s, Series "A"	15,000,000	6.00	Due $375,000 each Nov. 15, 1920, to 1939, inclusive.
Connecticut Valley Lumber Company...	First Mtge. 6s.	3,000,000	6.25	Due every June 1st as follows: $200,000 1922 to 1928, $250,000 1929 to 1932, and $300,000 1933 and 1934.
General Motors Building Corporation....	First Mtge. 7s	12,000,000	6.85	Due every November 1st, 1922 to 1946, in annually increasing amounts.

A Safeguard Against Trouble

While, as said above, the serial redemption feature attached to a bond issue may be a drawback from the viewpoint of one class of bond buyers, it is or should be the very greatest attraction to another. It offers the simon-pure investor the opportunity to more or less choose the date of maturity on his purchase. It also provides a practical safeguard for the protection of his interests.

This is illustrated by a comparison with other types of bond issues. Since the term, "serial," applies merely to a method of paying off a mortgage or liquidating a debt, serial bonds should be compared with those paid off or liquidated in other ways. At the present time there are three widely used methods of paying off bond

(*Please turn to page* 582)

NO IMPORTANT CHANGES IN BOND PRICES

THERE was no material change in fundamental conditions affecting the bond market during the fortnight. The improvement was in the middle grade and speculative divisons. High-grade issues held at the recent high levels, but made no appreciable advance. Readers of this column are familiar with our views regarding such securities. Present prices are due to the abundance of money and ease in money rates. Compared with current money levels, the return is somewhat higher, but when consideration is taken of tax requirements, the return is not attractive. Holders must bear in mind that they are, to a considerable extent, gambling as to when business will show a decided upturn. When business improves and the usual commercial demand for funds is in evidence, reflection will undoubtedly be found in the market for high-grade securities, as the present yield will not then be attractive in competition with the market caused by higher money rates. It is for this reason we have been advocating taking advantage of present high prices and reinvestment in more attractive securities.

Among individual issues carried in the Bond Buyers' Guide, the Chesapeake & Ohio convertible 5s, continued their advance, reflecting the rise in the market for the common stock, into which the bonds are convertible. The local tractions were also popular, not only in view of the better earnings of public utility companies, but, in this instance, owing to the better outlook for such companies in the local territory. Manhattan Railway consolidated mortgage 4s, which are now a first mortgage on practically the entire "L" system in the Manhattan and Bronx Boroughs of New York, continued their advance to around 62, and the Brooklyn-Manhattan 6s and Interborough issues also improved. The issues of the surface-car companies were also in demand. Third Avenue Refunding 5s gained 2½ points and the adjustment mortgage 5s made a better showing, advancing to 55, up 5 points. Virginia Railway & Power 5s were another strong spot, selling up to 94.

Among the rails, the Erie and New York, New Haven & Hartford issues held the spotlight. Erie general 4s gained 2½, and the convertible 4s, series "D," which carry a three-year call on the stock, made similar gains. These series "D" bonds are convertible at par into common stock at 50, up to October 1, 1927. Aside from the fact that they are a second lien on the very valuable coal holdings of the road, which has always shown earnings in excess of interest requirements on these bonds, the remarkable comeback in Erie's earnings and the profit possibilities lying in the conversion feature have caused considerable speculative interest in the issue. All the New Haven issues showed substantial gains, the debenture 4s and 6s advancing from three to five points. Other junior rail favorites also continued to display a strong tone.

BOND BUYERS' GUIDE

(Bonds listed in order of preference)

	Apx. Price	Apx. Yield	§Int. earned on entire funded debt
HIGH GRADE (For Income Only)			
Non-Callable Bonds:			
Great Northern Genl. 7s, 1936....(c)....	109¼	5.95	2.85
Atlantic & Danville 1st 4s, 1948....(a)....	79	5.00	....
Western Union Telegraph Co. 6½s, 1936....(a)....	111½	5.50	c 6.85
New York Edison Co. 6½s, 1941....(b)....	112	5.50	3.30
Canadian Northern Debenture 6½s, 1946....(a)....	113½	5.40	*
Delaware & Hudson 7s, 1930....(b. ...	109½	5.40	2.10
Bush Terminal Buildings 5s, 1960....(a)....	97	5.20	1.55
Callable Bonds:			
Armour & Co. Real Estate 4½s, 1939....(a)....	86	5.90	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953....(c)....	94	5.95	1.41
Philadelphia Company 6s, 1944....(c)....	102½	5.80	3.50
Canadian General Electric deb. 6s, 1942....(a)....	105½	5.60	g 2.80
Short-Term Bonds:			
Rock Island-Frisco Terminal 5s, 1927....(a)....	99½	5.20	....
Columbia Gas & Electric Co. 1st 5s, 1927....(b)....	100	5.00	7.60
Seaboard & Roanoke 1st 5s, 1926....(a)....	100	5.00	....
St. Louis-San Francisco Series "C" 6s, 1928....(c)....	102	5.40	1.50
Dominion of Canada Internal 5½s, 1927....(d)....	100¼	5.30	....
Aluminum Company of America 7s, 1925....(a)....	103	5.00	....
Bell Telephone Company of Canada....(b)....	97	5.65	2.75
MIDDLE GRADE (For Income and Profit)			
Railroads:			
Cuba R. R. 1st 5s, 1952....(a)....	83½	6.30	2.45
St. L. & S. F. Prior Lien 4s, 1950....(c)....	70½	6.35	1.25
Western Pacific 1st 5s, 1946....(c)....	89	5.90	2.40
New York, Ontario & Western 4s, 1992....(a)....	66½	6.05	2.00
Erie & Jersey 1st 6s, 1955....(a)....	100	6.00	1.50
Missouri, Kansas & Texas Prior Lien 5s, 1962....(c)....	86½	6.00	1.10
Kansas City Southern Rfd. and Imp. 5s, 1950....(a)....	90	5.75	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931....(a)....	103	6.00	1.60
Rutland R. R. 1st 4½s, 1941....(a)....	85	5.90	1.75
Chesapeake & Ohio conv. 5s, 1946....(b)....	98½	5.10	1.65
Industrials:			
South Porto Rico 1st Mtg. and Col. 7s, 1941....(b)....	102½	6.70	2.20
Wilson & Co. 1st 6s, 1941....(a)....	88	7.20	1.35
Sinclair Pipe Line 6s, 1942....(b)....	84	6.50	g 2.50
Goodyear Tire & Rubber Co. 8s, 1941....(c)....	116½	6.50	4.00
California Petroleum Corp. 6½s, 1933....(c)....	98	6.80	4.80
International Paper Co. 5s, 1947....(a)....	86½	6.15	3.50
U. S. Rubber 5s, 1947....(c)....	82½	6.50	2.0›
Bethlehem Steel Co. 5s, 1936....(a)....	88½	6.25	f 2.30
Computing Tabulating & Recording 6s, 1941....(b)....	100	6.00	5.50
Armour & Co. of Del. 1st 5½s, 1943....(c)....	91½	6.25	....
Anaconda Copper Mining Co. 1st 6s, 1953....(b)....	96½	6.25	g 1.25
Union Bag & Paper Co. 6s, 1942....(b)....	96½	6.35	f 4.40
Public Utilities:			
Manhattan Railway Cons. 4s, 1990....(a)....	61¼	6.55	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934....(c)....	91¾	6.10	2.40
United Fuel Gas 6s, 1936....(b)....	96½	6.40	e 2.70
Virginia Railway & Power 5s, 1934....(a)....	94	5.75	2.00
American Gas & Electric 6s, 2014....(c)....	95½	6.30	2.60
Hudson & Manhattan Refunding 5s, 1957....(c)....	87	5.90	2.00
Kansas Gas & Electric 6s, 1952....(b)....	98	6.15	1.80
Havana Elec. Ry. Light & Power 5s, 1954....(a)....	85½	6.00	5.00
Montreal Tramways 5s, 1941....(c)....	92	5.70	g 1.25
Denver Gas & Elec. 1st and Rfd. 5s, 1951....(c)....	90½	5.75	e 4.70
Commonwealth Power Corp. 6s, 1947....(c)....	93½	6.50	4.50
Dominion Power & Transmission 1st 5s, 1932....(a)....	93	6.00	2.10
SPECULATIVE (For Income and Profit)			
Railroads:			
Erie Genl. Lien 4s, 1996....(b)....	61½	6.60	1.31
St. Louis & San Francisco Adj. Mtg. 6s, 1955....(c)....	77½	8.00	1.25
Seaboard Air Line 4s, 1950....(a)....	70	6.35	1.20
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967....(c)....	61½	8.30	1.10
Chicago Great Western 1st 4s, 1959....(a)....	55½	7.70	0.85
Western Maryland 1st Mtg. 4s, 1952....(a)....	63	7.00	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934....(c)....	81½	7.10	....
Industrials:			
Cuba Cane Sugar 7s, 1930....(c)....	94½	8.10	2.15
Empire Gas & Fuel 7½s, Series "A" 1937....(c)....	92½	8.50	3.30
International Mercantile Marine 6s, 1941....(b)....	86½	7.40	2.50
Public Utilities:			
Brooklyn-Manhattan Transit 6s, 1968....(c)....	80½	7.50	f 1.50
Chicago Railways 1st 5s, 1927....(a)....	77½	15.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957....(b)....	68	7.70	2.00
Interboro Rapid Transit 5s, 1966....(a)....	68¼	7.45	0.90
Third Avenue Railway Rfd. 4s, 1960....(b)....	59½	7.10	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. § This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (aa) 1922. (b) Lowest denom., $500. (c) Lowest denom. $100. (d) Lowest denom., $50. e Average last three years. f Average last two years g Average last four years. i Does not include interest on adjustment bonds.

Money, Credit and Business

More Favorable Developments In Business

Price Decline Ended—Strength in Grains a Feature —More Activity in Metals—Money Continues Easy

WHILE general conditions in trade and industry continue very mixed with a good deal of unemployment here and there in various manufacturing districts, there have been signs of stabilization. A good deal of confidence in the outlook has been engendered by the strength in the securities markets, foreign exchange, the grains and cotton. It cannot be said, however, except in the agricultural districts that general market activity has produced an increase in the volume of business transacted. Many important industries continue to operate on part-time schedules with little prospects of change in the immediate future. Unemployment is growing in the manufacturing industries. It is expected, however, that the various signs which now indicate an increase of industrial activity in autumn will slowly continue to multiply.

The slight upturn in our foreign trade balance (see graph) indicates that we are still able to maintain our position in world markets. It is true that the volume of both exports and imports have tended to decline but the net results may be considered fairly satisfactory. Much depends on the outcome of the Reparations Conference in London. A satisfactory solution of this six-years' question would tend to alter the entire economic position of Europe and lead to a situation of great activity in international markets. The contrary would be a serious blow to the interests of Europe in particular but would also affect our foreign trade outlook to no small degree. Thus, as heretofore, this end of our business still remains in a dubious position.

First among the encouraging signs is the fact that the trend of commodity prices is no longer downward, while only the grains, cotton and certain metals such as copper and silver have advanced, it is significant that with only a few exceptions the more important staples are stationary in price, evidently having reached a sold-out condition. The oil and steel industries are still virtually the only important ones in which the downward price tendency has not yet been arrested but it is probable that these two commodities will have soon reached a stabilized condition.

The activity in the wheat and corn market, more fully discussed elsewhere in this Magazine, have greatly improved the situation in the middle and northwest, where conditions up to this time had been more depressed than in any other part of the country. The results of this advance has already been witnessed in the commencement of an attempt to liquidate frozen loans and mortgages. Business interests operating in the grain belt report an increase in demand.

The last report of the U. S. Steel Corporation's unfilled orders with a figure of only 3.26 million tons of unfinished business as of the first of July brought the corporation's business down to the lowest point in many years. Steel operations are averaging less than 50% of the peak rate last March with prospects that present dulness will continue into autumn. Among other important metals, copper has recently become stronger.

The money markets are at the lowest point in over a decade. Time loans for sixty days are being secured as low as 2½% and call funds are below 2%. This situation is all the more remarkable because the important drawing-off of American funds to London in order to secure the advantage of higher interest rates there has not had any effect on the domestic market, indicating the unusual amount of surplus funds here.

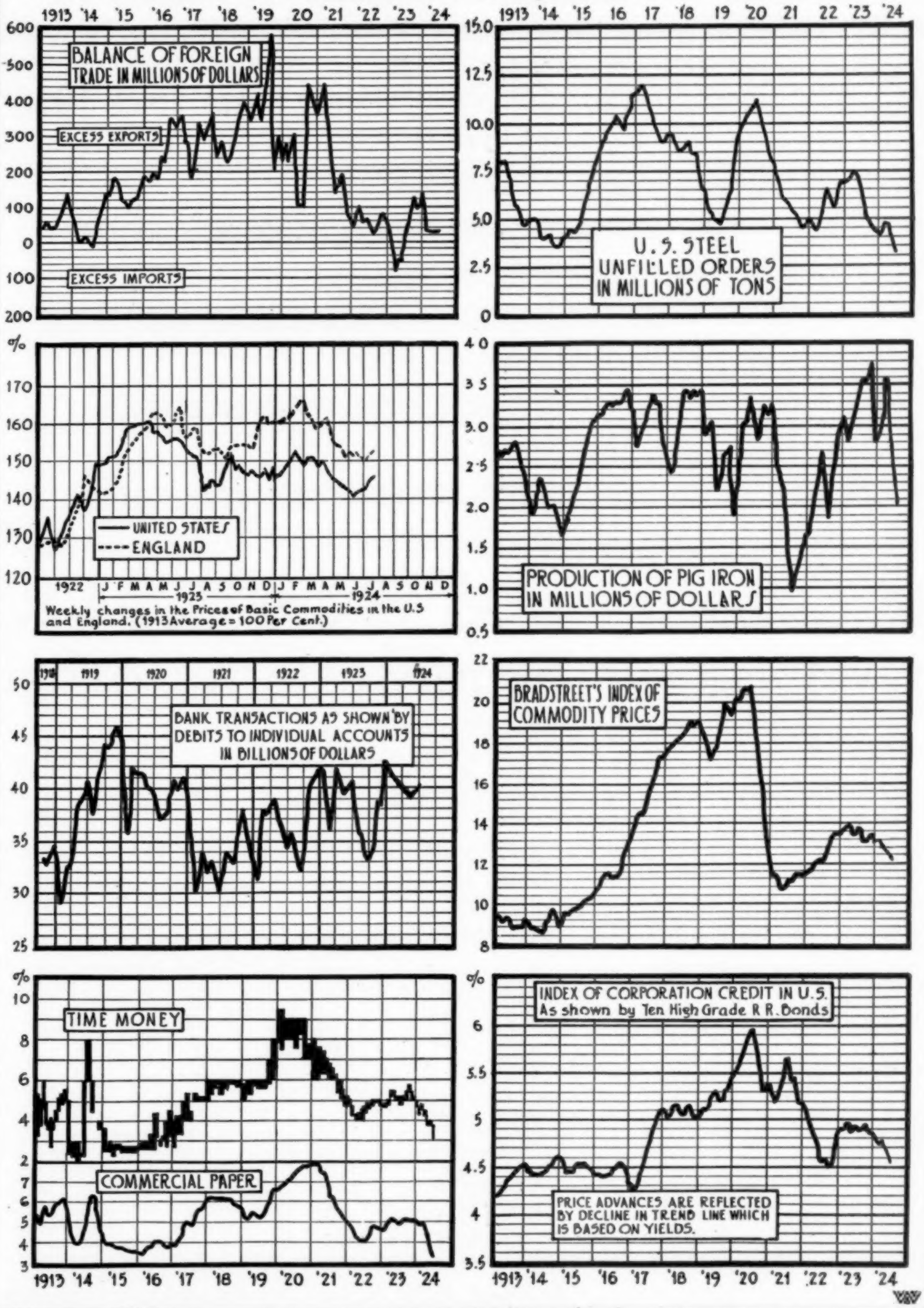
The condition of the Federal Reserve system continues unusually strong with bills discounted and bills bought at less than 50% of the figure a year ago. This indicates, of course, the reduction in demand for commercial funds.

Recent corporation reports have indicated the influence of the relatively poor conditions which have prevailed since the beginning of the year. Earnings on the whole are considerably lower than for the same period either a year ago or as compared with those of the early part of this year. There have been several dividend reductions as a result of this situation but, generally speaking, the dividend situation has not been materially changed by the lower earnings reported. In this connection, it is to be considered that the larger companies have earned and put to surplus sufficiently in the past few years to justify dividend payments out of surplus and that a few months' poor business is not necessarily of such weight as to prohibit continuation of disbursements. Of course, if business were to continue poor for another year or so, there might be a different story to tell but from present indications, the revival is not expected to be postponed beyond autumn.

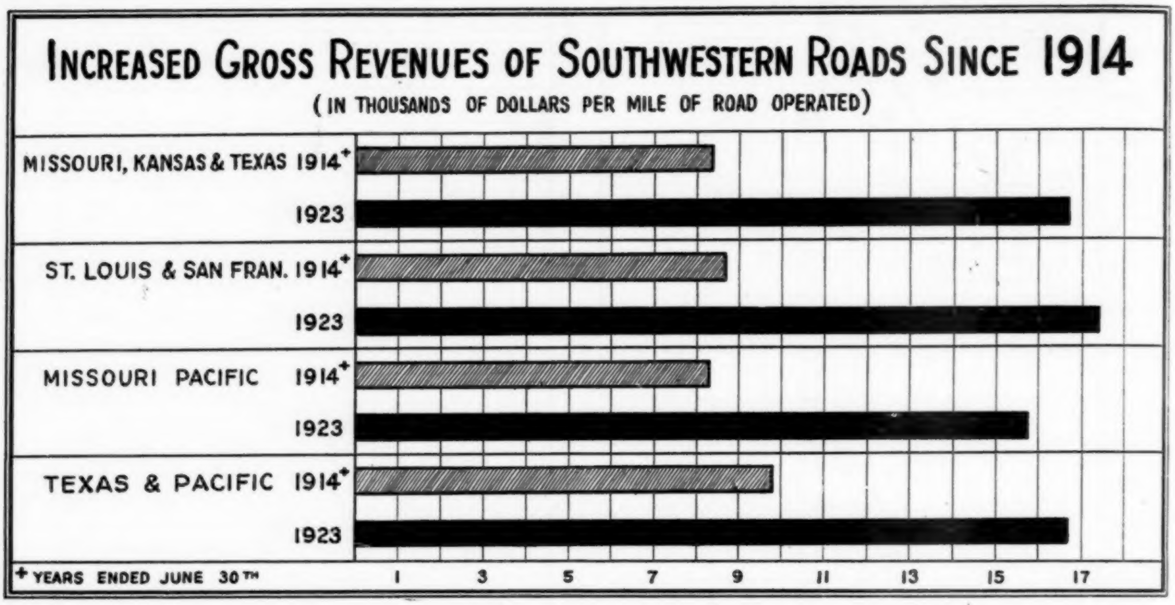
Summarizing briefly, the present situation is mixed. The important industries continue to languish under a small demand but the commodity markets are strong and active. The change in the position of the farmer which came with almost dramatic suddenness is a factor of first-rate importance and is basis sufficiently strong for an upswing in general business conditions. Money conditions are very favorable affording ample opportunity for commercial transactions at small cost. Competition with foreign parts is not pressing. Unemployment here is fairly large but should diminish by the time autumn is well under way. Conditions generally should improve slowly in this country, based on the present situation and outloook. All this, of course, could be changed by developments impossible to forecast at this time.

BUSINESS has evidently reached a position justifying the belief that there will be a recovery from the present slump. While concrete instances of industrial revival are few, the fact that the tendency toward curtailed operations which marked the second quarter of the year is no longer prominent may be accepted as an indication of a changed situation. It is clear that the great strength in agricultural commodities lays the basis for an upswing in general business probably not later than autumn.

THE TREND OF MANUFACTURE, TRADE & COMMERCE



Railroads



How Can Investors Share in the Recovery of the Southwestern Roads?

Factors That Have Made the Recovery Possible—Which Issues Are Best?

By JOSEPH M. GOLDSMITH

THAT section of the United States lying west of the Mississippi and south of the Missouri River is termed in railroad circles the "Southwestern Region." It is bounded on the south by the Gulf and the Mexican border, and extends as far west as New Mexico. There are a large number of railroads operating in this territory, but their financial history has been uniformly unsatisfactory.

Within the last decade at least 70% of the railroad mileage in this southwestern district has been in the receiver's hands, at one time or another. Among the larger companies there are very few which have not gone through this experience. The source of all the trouble in the past has lain very largely in the overextension of railroad facilities by comparison with the traffic then available. In addition, the financial excesses in which the operators of many of these companies indulged for speculative purposes resulted from time to time in placing their physical properties in such wretched condition as to render efficient operation practically impossible. Interest charges were, in several instances, too high in relation to gross revenues; consequently, in years of meager earnings, resort to receivership proved the only way out.

These various obstacles with which the Southwestern roads have had to contend in the past, however, have now been largely eliminated. The volume of traffic has improved considerably in recent years. Outbound, it consists principally of agricultural products, lumber and petroleum, and the amount of the latter commodity produced in the region has advanced phenomenally in the last few years. The inbound traffic movement consists of the manufactured articles consumed by the population, for manufacturing industries have not yet developed on a large scale in the Southwestern region. The high prices at which cotton has been selling have greatly increased the purchasing power of this section of the country, for, especially in Texas, the money crop is cotton.

For the first half of 1924 the Southwestern district, then, will be the only one, with the exception of the Pocahontas, to show a heavier traffic than in the corresponding period of 1923.

The increasing use of the Panama Canal to move the products of the Mississippi Valley to the Far West is also benefiting the southwestern roads. It gives them a long haul down to the Gulf Ports, where formerly they turned over commodities originated by them to a transcontinental road, after carrying them but a short distance themselves.

During the extended receiverships referred to above large sums were spent in placing the physical properties of the Southwestern roads in first-class condition. This was bound to make possible, at least in most cases, lower operating ratios than had been obtained while the roadbed and equipment were in the sad state previously prevailing. The burden of fixed charges in most cases was also lessened by transforming many of the junior bonds bearing a fixed rate of interest into securities the payment of interest on which could be demanded only when earned. Thus, the likelihood of

financial difficulties following upon a shrinkage of earnings in the Southwest has been greatly reduced.

The Southwestern Region is not the only section of the country whose railroads have suffered from the maladies mentioned above. The East went through the same trouble in the early days of railroad construction, and the Far West went through it in the 80s and 90s. But the Southwestern district is apparently the last one to reach the stage of development necessary if its railroads as a whole are to make a fair living. It now seems to have reached the stage and we may look for a steady improvement in its railroad earnings.

The present status and outlook of four of the larger Southwestern Systems are covered in the following brief reviews.

TEXAS PACIFIC

Net Income in 1924 Likely to Approach $10 a Share

THE Texas Pacific was for a number of years in receivership and its reorganization was only recently completed. Although earnings, prior to the receivership, had been satisfactory, its capitalization was such as to make it impossible to raise additional capital by the sale of new securities. The company had outstanding $25,000,000 Second Mortgage Income Bonds, 95% of which were owned by the Missouri Pacific. No interest had been paid on them for many years. These were exchanged in the reorganization for a like amount of 5% preferred stock. A new Refunding Mortgage was also authorized to provide for improvements and betterments. Underlying bonds are now outstanding at the low rate of $17,000 per mile.

In 1923, in spite of abnormally large expenditures on deferred maintenance of equipment, net income was equal to $5.62 per share on the company's common stock. This balance remained after allowing the full 5% on the new issue of $25,000,000 preferred stock. **It is probable that dividends on the latter will soon be inaugurated.**

In the first five months of the current year the improved condition of the company's equipment, compared with the early part of last year, has been reflected in a much lower operating ratio. Gross revenues for the period increased from $12,597,000 to $12,987,000 which is quite remarkable in view of the slump in traffic which has occurred on most roads in recent months. The amount spent on maintenance of equipment was about $800,000 less, but the percentage unserviceable has not risen since the first of the year. In spite of the heavier traffic movement transportation expense was materially reduced.

Net operating income of $1,508,000 compares with $592,000 for the period ending May 31, 1923. This does not wholly represent the improvement which has taken place, for in May of this year a special charge of almost $400,000 was made to take care of expenses incident to winding up the receivership. It is probable that net income for 1924 will be close to $10 per share on the common stock. **Although dividends are not likely in the immediate future, the good prospects that this excellent earning power will continue, make the stock attractive at its present price of 32.**

MISSOURI PACIFIC

Building Up a Great Railroad System

THE current year gives promise of being the first since 1917 in which the "Mop" will be able to display a really encouraging income statement. It has been successful this year in increasing both its gross revenues and its net operating income as compared with the similar period in 1923. By improving the service the present management, which recently assumed control, has been able to get the business the road needs.

The company's record for the first five months of the year makes an impressive showing. Gross revenues of $47,808,000 in that period reflected an increase of $3,305,000 or 7.4%, over the same period last year. Surplus after charges amounted to $1,048,000 as compared with a deficit of $1,316,000 in 1923. If earnings continue at the rate indicated, "Mop" will show income of around $10 per share on its preferred stock this year.

The latter issue, of which there is $71,800,100 outstanding, became cumulative at the rate of 5% on June 30, 1918. Nothing has been paid on it as yet, so a total of 30% in back dividends has accumulated. Hopes were entertained in 1922, indicated by the high price of 63¾ reached by the stock, that dividends would be started, but the effects of the coal and shopmen's strikes in that year prevented any such action.

The year 1923 resulted in earnings of only 16 cents per share on the preferred. It is now selling at 48 and has risen more than twenty points from the low of 1923. In view of the much more favorable outlook, this advance is justified. It is unwise, however, to be overly sanguine over the immediate payment of dividends on this issue. The management may decide to follow a conservative policy in view of the heavy expenditures to be made in the acquisition of other railroad properties, including 9 millions for a half interest in the common stock of the Denver & Rio Grande Western.

Because of the cumulative feature of the preferred stock nothing can accrue to the common for some time to come and the preferred stock has better im-

(*Please turn to page 565*)

Comparative Gross Revenues of Southwestern Roads in Last Decade

Per Mile of Road Operated

Year	Mo. K. & T.	St. L. & San Francisco	Mo. Pac.	Tex. & Pac.
1914 *	$8,240	$8,542	$8,208	$9,895
1915 *	8,512	8,183	7,990	9,440
1916 *	8,402	9,207	8,761	9,849
1917	11,212	11,461	10,729	11,669
1918	14,022	14,676	12,607	14,019
1919	16,105	16,495	12,819	18,599
1920	19,223	19,798	16,263	21,572
1921	16,660	17,195	15,037	18,229
1922	14,726	16,629	13,759	16,069
1923	16,668	17,301	15,839	16,697

* Years ending June 30th.

Industrials

Mathieson Alkali Works, Inc.

A Promising Industrial

Mathieson Alkali Should Profit from a Business Upswing—Its Conservative Management

Mathieson Alkali Since 1914

	*Earned on Common	Paid on Common	Price Range High	Low
1914	$2.92	$2.00	....	....
1915	5.21	2.00	....	....
1916	7.77	3.25	....	....
1917	10.05	3.00	‡60	45
1918	3.85	3.00	45	36¾
1919	1.21	....	43	25
1920	2.41	....	33	14
1921	def.	....	24	11½
1922	6.14	....	54	22
1923	7.18	....	63¾	31¼
1924	†	....	46⅞	29⅝

* After deducting preferred sinking fund of $50,000 annually.
† First six months at rate of $4 a share.
‡ Listed on New York Stock Exchange Feb. 15, 1917.

MATHIESON ALKALI WORKS, INC., holds an important place in the manufacture of those products of which salt is the base. There are two large plants, one located at Saltville, Va., and the other at Niagara Falls, N. Y. At the Niagara plant, which covers approximately 12 acres, the salt is electrically treated because of the low cost of hydro-electric power in that locality, the company purchasing its power under long-term contract with the Niagara Falls Power Company. By this means the salt is decomposed and then by chemical process the following principal products are obtained: Caustic Soda, used extensively in oil refining and in the manufacture of soap, artificial silk, cotton goods, paper dyes, etc.; Bleaching Powder used in bleaching wood pulp, water purification, sewerage disinfection and other sanitary uses; Liquid Chlorine used in textile, paper, oil refining and other industries.

As the demand for the company's products depends on such basic industries as textile, paper, steel, glass, petroleum, etc., earnings are subject to rather wide fluctuations, depending on general business conditions. In 1921, which was a period of recession in industry, the company reported a deficit of $188,000 before preferred dividends but in 1922 there was a sharp recovery in earnings and $6.14 a share was earned on the common stock. In 1923 general industrial conditions showed further improvement, and $7.18 a share was earned on the common. The slowing up in business this year has resulted in a considerable drop in the company's earnings which, for the first six months, were at the rate of about $4 a share on the common stock.

Mathieson Alkali, working with the Anglo-Persian Oil Company of England, has the agency for North America for the use of the hydro-chloride process of refining gasoline and kerosene which removes impurities by the use of liquid chlorine of which Mathieson is now the largest manufacturer in the world. The process consists in washing crude gasoline with a weak solution of hydro-chloride of lime made at the plant from liquid chlorine. No important changes in equipment are necessary to adopt the process. The Anglo-Persian Oil Company has used this process for some time and has found that the cost of treating Persian oils is 40% less than in the case of the old sulphuric acid process. The value of this process is beginning to be realized by other large oil companies and contracts recently were signed with Pan-American and Cosden & Co. Negotiations are also understood to be under way with Standard Oil and some of the big independents. Should this process be more universally adopted, it will become an important source of income.

An important development in 1923 was the successful demonstration at Niagara Falls of a new process by means of which ammonia is produced from atmospheric hydrogen and nitrogen. A new plant is being installed to take care of this invention which allows the production of ammonia at a much lower cost and in sufficient volume to substantially increase profits.

Through the adoption of a decidedly conservative dividend policy the company has greatly improved physical properties and increased working capital without recourse to new financing. In the past ten years 4 millions of surplus earnings were plowed back into the property, equivalent to $35 a share on the common stock. At the close of 1923 the company was in the best financial condition in its history. Current assets were 2.3 millions as compared with current liabilities of $600,000, giving a working capital of 1.7 millions.

Capitalization consists of 2.8 millions 7% preferred stock and 117,714 shares of common stock of a par value of $50. There is no funded debt. Although good will and patents undoubtedly represent real values, this item no longer appears in the balance sheet of the company which shows a book value for the common stock of $79 a share.

While Mathieson Alkali earnings are not running at a very high rate at the present time it should be remembered that general business is in a depressed state and that earnings of the company should increase rapidly as soon as there is a turn for the better. With the political outlook satisfactory, greater confidence in business circles is already noticeable and this may soon result in a more rapid turning of the wheels of industry. By withholding dividends on the common stock for five years Mathieson Alkali is now on a firm foundation and as soon as earnings improve common shareholders can expect to receive consideration. **In view of the earning power already demonstrated and the possibilities of the new processes, the common stock at present levels of 40 has considerable to recommend it as a speculation.**

Developing a Depression-Proof Industry

Dairy Products' Sales Have Grown Greatly—Its Bright Outlook

WHEN the stock of the National Dairy Products Co. was listed on the New York Stock Exchange this year, it brought a new industry to the many already represented on the Big Board. The manufacture of ice cream has become one of the great food industries of the country, and for years there has been a steadily increasing demand. It is one of those favored industries that are not adversely affected by general business depressions, being in many respects similar to the milk business. Both are depression-proof, and the companies engaged in these industries turn over their inventories so rapidly that a large volume of sales can be efficiently handled with comparatively small working capital.

Notwithstanding the remarkable growth in the consumption of ice cream during the last ten years in most cities of the United States this business is still in its infancy and improved methods of selling and distribution can undoubtedly greatly increase the consumption of ice cream per capita.

National Dairy Products was organized in 1923 and acquired a controlling interest in the Rieck-McJunkin Dairy Co. of Pittsburgh and the Hydrox Corp. of Chicago. The Rieck-McJunkin Dairy business was originally started in 1881 as a milk business, and the manufacture of ice cream was added in 1898. The Hydrox Corp. business was established in 1888 to manufacture ice, ginger ale and other beverages, but the manufacture of ice cream has now become its main product. The volume of business of the Rieck-McJunkin Co. amounts annually to more than 40 million quarts of milk and cream, and it has a daily capacity for the manufacture of ice cream at the height of the season of more than 40,000 gallons. The Hydrox Corp. sells about 2 million gallons of ice cream annually. A good indication of the stability of the company's business is the record of the Rieck-McJunkin Dairy Co., which in the past 37 years, with only one exception, has earned more money each year than in the preceding year.

In the accompanying graph the combined earnings of the Hydrox Corp. and the Rieck-McJunkin Dairy Co. are given after charging ample allowance for depreciation of physical properties, Federal income taxes at the present rate, and the portion of profit applicable to minority common stockholders. Earnings for 1923 were equivalent to $5.11 a share on the capital stock now outstanding, as compared with $3.76 a share in 1922. Despite the late Spring which naturally had the effect of lowering the demand for ice cream, earnings so far this year have shown improvement over the 1923 figures, and for the full year it is estimated that between $6 and $7 a share will be earned on the common stock.

The company's depreciation policy is liberal. On buildings 2% to 3% is charged off annually depending on the construction, and depreciation on machinery and equipment averages about 10%.

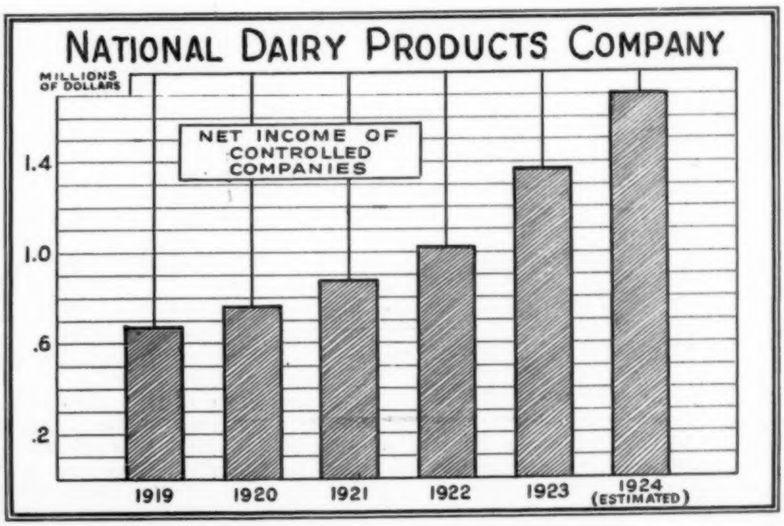
Capitalization consists of $415,500 funded debt, 270,000 shares of no par value common stock and 4.3 million dollars preferred stock of subsidiary companies. Balance sheet as of December 31st, 1923, shows a sound financial condition. Inventories were $331,823; notes and accounts receivable 1.3 million and cash 1 million. As against this, current liabilities stood at $900,000, and Federal taxes at $329,872. As already mentioned, the company turns its inventory over rapidly, and under these circumstances the present working capital of the company is ample for its requirements.

While a large percentage of its income now comes from operations in Chicago and Pittsburgh, the company plans to make its business more of a national than a local affair. The same modern methods of purchasing, advertising and selling which have been so successful with the big baking companies will be applied to the ice-cream business. Contracts are pending for the purchase of three important ice cream and milk companies, which will give the company greater marketing facilities in the East.

In April the stock was placed on a $3 annual dividend basis, which at present levels of around 36 gives a return of 8.4%. In view of the stability of the company's business and the earning power that has already been demonstrated, this dividend not only appears well protected, but there are excellent prospects of a still higher dividend in the future.

The management of National Dairy Products Corp. is in the hands of the same men who made a success of the Rieck-McJunkin Dairy Co. and the Hydrox Corp. Strong banking interests are also represented on the Board of Directors, and there is every reason to believe that the affairs of the company are in capable hands.

The stock was originally offered to the public at $33 a share, and since listing on the N. Y. Stock Exchange, has fluctuated between a low of 30⅛ and a high of 37. In view of the company's program for expansion, no early increase in the dividend rate is probable, and as speculative interest in the stock is relatively small, it may fluctuate within a narrow price range for some time. **As a long-pull speculation, however, there is much to recommend it, for the holder receives a very liberal return while waiting for appreciation in market value.**



A Steadily Growing Truck Manufacturer

White's Expansion in Recent Years Very Impressive—Its Shares in Semi-Investment Class

THE expansion of the White Motor Co. during the past six years, or since its withdrawal from the passenger-car field, has been striking. In 1917, gross business was less than $26,000,000, and in 1923 it was almost $49,000,000.

It is obvious to anyone who takes any interest at all in transportation that the use of the motor truck has been greatly extended since the war. In some sections it is now a serious competitor of the railroads on short traffic hauls, and possibilities in this countr_ are really only limited by the condition of highways. Incidentally, the motor-truck industry is proving itself to be more stable than the passenger-car end of the automobile business.

Within recent years another field beside the manufacture of trucks has been opened for companies like the White Motor Company, that is the manufacture of motor busses or "jitneys." The White Company early saw the possibilities which existed in the development of motor bus passenger transportation and specialized in this field, being particularly successful along the Pacific Coast. Now that in many cities the public utility companies are combining the use of motor busses with trolley cars so as to create an urban and suburban transportation monopoly, the motor bus is becoming standardized.

The White Company publishes earnings statements but once a year, and it is therefore impossible to follow as closely as might be wished the development of earnings through the fiscal periods. The trend of business, however, since the first of the current year, may be gathered from the statement that shipments for the first quarter of 1924 were 2,500 vehicles against 2,600 in the first quarter of 1923, and 2,200 for the last quarter of 1923. So far, so good. The company itself makes the general statement that the volume of sales for the first six months of the current year has been satisfactory considering general business conditions.

The plant of the White Company is located on nearly 25 acres at Cleveland, Ohio. In addition there was recently purchased the land and buildings of the White Sewing Machine Co., an addition which will promote shipping facilities and provide an opportunity for future expansion of manufacturing. This acquisition gives the company 300,000 square feet of additional property. White maintains 52 service stations in this country and Canada, together with various dealers service stations.

The present White Company was incorporated at the end of 1915, and at that time made both passenger cars and trucks, but the real success has come since the passenger business was abandoned. The company felt the post-war deflation with a deficit of almost $5,000,000 after all charges in 1919. **The point in connection with this deficit is that, in a year of losses, the management was able to write off deflation of inventory, take the burden of decreased sales and high expenses and still pay the regular dividends upon the outstanding stock.** The current $4 dividend has been paid without interruption since 1916, and it has been estimated that the earnings for the first five months of 1924 exceeded the dividend requirements for the whole year, which amount to $2,000,000.

At the end of 1923, surplus account was 9.4 millions, the highest in the history of the company. At that time, notes payable were 1 million against 7.2 millions as of 1920. Cash at the end of 1923 was over 2.4 millions—the largest total at the end of any one year with the exception of 1919, and the ratio of current assets to current liabilities was 6 to 1, as compared with about 4 to 1 at the end of 1922. Thus at the end of 1923 the 500,000 shares of capital stock, representing the sole capitalization except for $300,000 purchase money obligations, was represented by a property investment of about $8,500,000 and by $21,500,000 working capital—a total of approximately $30,000,000, or $60 a share. This reckoning, of course, excludes good will, which is carried at a valuation of between $10 and $11 a share.

Conclusion

In 1919, the White Motor Company did some financing through the sale of additional stock, has done nothing since then, and so far as can be ascertained, is contemplating none. Last year the four dollar dividend was earned more than three times, and should be earned at least two and one-half times this year. Concerning the possibilities of a dividend increase, President White said early in the year that what action would be taken would depend entirely upon the course of business this year. It is certain that nothing but conservative action may be expected, but in view of the gradual growth which can be anticipated, it would seem entirely logical to put White Motor shares among those which can look forward to higher returns.

The stock is now in the semi-investment class and a decidedly attractive purchase for anyone who possesses a modicum of faith. It is not a trading stock, but market quotations are based almost entirely upon real values back of the shares—the most desirable kind of appraisal in the long run.

The White Motor Co.

Year	Sales	Net Income	Working Capital	Earned Per Share	Stock's Price Range High	Low
	In Millions of Dollars					
1917....	$25.7	$3.8	*$11.9	$11.88	52½	33¾
1918....	39.6	2.7	12.7	8.38	50	36¾
1919....	41.7	4.1	22.5	11.47	86	45
1920....	52.0	2.4	20.7	4.82	69½	30½
1921....	30.3	Def. 4.8	14.4	Def.	44	29¼
1922....	37.3	3.8	16.5	7.54	54	35⅛
1923....	49.0	6.9	21.6	13.90	60⅞	45

* Number of shares outstanding in 1917, 320,000; since 1919, 500,000.

Hudson Motor Co.

Leader in Closed-Car Field

Hudson's Alert Management and Growing Production—Will Earnings Increase?

Hudson Motor Co.

(Year ending Nov. 30th)

Its Production

	Hudsons	Essex	Total
1921	13,411	12,004	25,415
1922	26,271	34,962	61,233
1923	46,186	41,998	88,184
1924 (Estimated)	50,000	80,000	130,000

Its Finances

	1921	1922	1923
Cash and U. S. Treasury Notes	$1,289,636	$7,236,548	$9,354,486
Net Current Assets	2,962,207	9,453,965	11,684,147
Total Assets	15,188,959	24,534,087	27,386,747

Its Profits, Dividends and Market Range

	Earnings Per Share	Dividend Rate	Market Range	
1922	$6.04	$2.00	$19½	$27½
1923	6.67	3.00	20	32¾
1924 (Estimated)	5.00	3.00*	20½	29¾

* Also 10% stock dividend Apr. 15, 1924. Current Price...$25

FASHIONS in automobiles now change as rapidly as in clothes. Once past the "Ford Stage," your American motorist looks forward to new styles from Detroit as eagerly as does Milady to the latest designs from Paris. Pocketbook permitting, he is no whit less anxious to shed the old for the new and to sport something different from his neighbor. And with 1925 models now available six months ahead, he asks no odds of Madame with her winter styles in summer and summer styles in winter. Carrying the comparison along further, it is interesting if not pertinent to note that the styles from both Detroit and Paris are running more and more toward trim, snug, low-slung lines.

That motordom is keenly alive to the possibilities of this human foible is evidenced by the manner in which it is being catered to with a swift succession of new models. And that it pays is strikinkly illustrated, first, by Willys-Overland which emerged from the shadows of receivership and staged one of the most remarkable comebacks in the history of American industry as the result of a line of new models that caught the public fancy; second, by General Motors whose new stream-line, 4-wheel brake Buick was probably the outstanding success of the past year; and, third, by Maxwell Motors whose new Chrysler car has recently won great favor and rehabilitated that company to a considerable extent.

Hudson Motor's Progressiveness

Which brings us to Hudson Motors, one of the big six of the automobile industry. This company has recently jumped to the front as a leader of the closed-car field, producing a greater percentage of closed cars than any other automobile manufacturer. With its slogan of "Closed-car comforts at open-car cost," the company's line is reported to be the largest selling 6-cylinder closed car in the world. And with the trend of popular favor toward closed cars, Hudson Motors apparently is in a strategic position to capitalize the growing demand for this type and to register one of the spurts of popularity for which the motor industry is becoming famous. In fact, the new de Luxe Hudson and Essex models are said to have created such a demand that the company's 1924 output will not only pass the 100,000 mark for the first time in its history but will exceed last year's production record by about 50%.

In the first six months of the current fiscal year, which ends November 30th, next, Hudson Motors is reported to have produced more than 75,000 cars which compares with 88,184 produced in the entire 1923 fiscal year. It is estimated that the output of Essex models this year will exceed 80,000 as against 41,998 in 1923, and that the production of Hudsons will total about 50,000 compared with 46,186 in 1923. It will be observed that the biggest increase is in the Essex line on which efforts are being concentrated with remarkable success. In years past the production of Hudsons and Essex has averaged about the same as will be noted by reference to the accompanying tabulation, but with the trend of popularity apparently toward the $1,000 closed-car type, the company has recently found it profitable to concentrate on the Essex although maintaining a large output of Hudsons.

Will Earnings Increase?

Due to the cost of bringing out new models, this production increase, however, has not yet been accompanied by a corresponding gain in earnings. Profits for the first six months of the current fiscal year totaled $4,000,973 compared with $4,446,039 in the same period of 1923, indicating a considerable reduction in the profit per car. With the cost of these new models out of the way, the profit per car is expected to show some increase during the second half of the year, which should be aided materially by the recent marking up of prices on several of the Hudson and Essex models. In fact, indications are that the current year's earnings will show only a small falling off from last year's high record of $8,003,624, a remarkable showing in view of the generally adverse business conditions that have prevailed this year. At any rate, it is apparently significant of what Hudson Motors may be able to accomplish when conditions become more normal.

Conclusion

The Hudson Motor Car Company was incorporated under the laws of Michigan on February 24, 1909. It took over and succeeded to the business of a partnership formed on October 28, 1908.

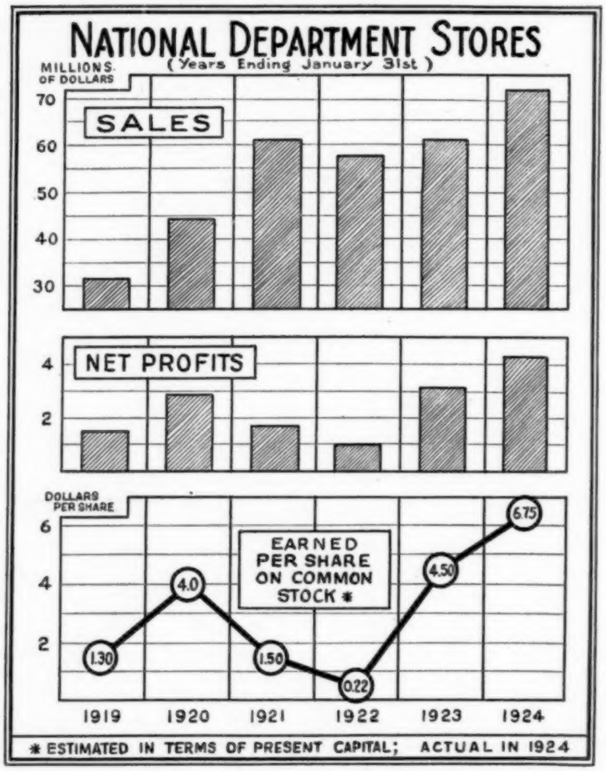
The companys' growth since 1909 has bordered on soundness and consistency rather than the spectacular. Both earnings and financial condition have shown a steady average improvement from year to year that augurs well for the company's stockholders. Balance sheet at the end of the 1923 fiscal year recorded the strongest financial condition in the history of Hudson Motors, with current assets exceeding current liabilities in the ratio of four to one and with net current assets of $11,684,147. In the last three years, including the current fiscal year, earnings have averaged approximately $6 a share, indicating an unusually high degree of dividend safety for a stock now selling to yield about 12%.

Listed on the New York Stock Exchange in 1922, the shares of Hudson Motors have not yet enjoyed any outstanding market movement, as will be seen by reference to one of the accompanying tabulations. However, with a liberal dividend yield supported by such a sound financial condition and comfortable margin, the stock appears to possess qualities that will eventually make for a larger market following and a higher valuation. **As a long-pull speculative investment, Hudson Motors, therefore, apparently deserves more than passing consideration.**

This Company Deserves to Be Better Known

And a Wider Appreciation of Its Possibilities Would Probably Mean Higher Prices for Its Shares

NATIONAL DEPARTMENT STORES is comparatively a newcomer to the Chain Department Store group and has yet to prove its right to enter the same stock-market class as Associated Dry Goods and May Department Stores. On the other hand, if National Department Stores fills out the promises it apparently possesses, the common stock will not long stay around present levels. The company was incorporated in 1922, having acquired five department stores located at Cleveland, Pittsburgh, St. Louis and Wheeling, W. Va. These constituent stores had been in business from twenty-six to seventy years.



In 1923, National Department Stores acquired the Frank & Seder group, operating five retail department stores in Pittsburgh, Philadelphia and Detroit. At the present time National Department Stores has ten stores with a capitalization represented by $13,300,000 preferred and 500,000 shares of common stock. Of this capitalization, $3,000,000 preferred and 200,000 shares of common were issued to acquire the Frank & Seder stores. These stores are located in the leading industrial centers of the near middle West and it will be noted that activities in the steel and iron industry and in the automobile industry must have some bearing upon the business of National Department Stores. Total population tributary to the ten stores is between eight and nine millions.

Business growth has been very rapid. In 1923, gross sales amounted to over 70 million dollars, more than double the total of the same group of stores for 1919. In 1919, the margin of profit after allowing for federal taxes was approximately 5%. In the year ended January 31, 1924, the corresponding margin of profit was about 6%. This increase, although quite small, indicates that it is not *volume of business* alone which makes for the company's success, and that the management has been able to at least keep more than ahead of a rising tide of overhead which has hit all mercantile establishments during the past three or four years.

Earnings and Expansion

Before the acquisition of the five additional stores last year, National Department Stores had an earning power upon the then outstanding capitalization of, say, between $4 and $5 a share. The ten stores in the fiscal year ended January 31, 1924, earned an amount equal to $6.75 a share upon the 500,000 shares of common stock and the figures available prove that National Department Stores has not expanded at the expense of earning power per share, but that the acquisition of the five stores which were taken over last year, substantially has improved prospects for the common stock.

The effect of the acquisition of these five stores in its probable relation to net earnings cannot be ascertained from the 1923 report, because the benefit of the central management had not been received by the stores as a whole, nor had the benefits of pooled buying power been shown. This pooling of buying power of merchandise is, of course, one of the chief arguments in favor of the efficiency of chain-store operations, and it applies to department stores as well as to grocery stores. In volume of business, National Department Stores ranks fourth among establishments of its kind, sales being exceeded by those of Associated Dry Goods, May and Gimbel Brothers.

At the close of the fiscal year, National Department Stores had a working capital of about 11 millions. Included among the liabilities were 1.6 millions of notes payable, but on the whole treasury position was quite satisfactory. Good will is not carried at any value for balance sheet purposes.

Conclusion

There are two issues of preferred stock ahead of the common, 7% first cumulative preferred and 7% second preferred, also cumulative. It will require about $930,000 to satisfy the total preferred dividends and last year, for example, this amount was earned almost 5 times. Dividends are regularly paid upon the two preferred issues, and they seem to be adequately protected by earning power as well as by assessed valuation of over 19 millions upon lands, buildings, etc., by the American Appraisal Company.

Nothing has been said about dividend prospects for the common stock. In the latest annual report it is stated that during the coming year the company would make substantial improvements and additions to facilities in Philadelphia and St. Louis. The amount to be expended was not stated. The common shares have fluctuated rather narrowly this year and have not participated in the advance which retail merchandising stocks have had as a class. One of the reasons for their backwardness probably is ignorance about the company. **While no definite promises can be made it seems reasonable to hold the opinion that the common stock possesses dividend possibilities which are yet to be discounted.**

A Triumph of Management

How Montgomery, Ward's Affairs Have Been Restored—Its Interesting History

THE sharp upward movement of grain prices is potent with promise for the mail-order houses. However, Montgomery, Ward & Company registered a remarkable recovery in earnings prior to the advance in the commodity markets. Of course, the better business conditions following the disastrous year of 1921 had something to do with it. At the same time, the greater cause for the improved showing was the installation of a capable management following the attempts of those who secured control in 1919 to exploit the stock rather than devote their energies to building up the organization.

A Feat of Management

The showing made deserves attention: Earnings during the years 1916-1919, ranged between 4.1 and 4.5 millions. In 1920, the present company was organized, and deficits of 9.5 and 9.1 millions, respectively, were returned for 1920 and 1921 (including dividends paid out in those years). The company's capital became so impaired that a readjustment became necessary. With this heritage, a new management was installed during the latter part of 1921, and commenced to show what efficient and aggressive business management could do. Bank loans which, at the end 1920, stood at 10 millions, were entirely wiped out by the end of 1922. Sales and net operating income began to jump remarkably, as will be seen from the following comparison:

Year	Sales	Net Income
	(Millions of	Dollars)
1922	80.7	4.56
1923	130.7	7.20

The company has outstanding 4.25 million 7% cumulative preferred stock, par $100; 205,000 class "A" stock, no par value but entitled to cumulative dividends at the rate of 7% annually; and 1,141,251 shares of no par common stock. Following the great improvement in earnings, arrears of dividends due on the preferred had been liquidated and in February of this year payments were inaugurated on the class "A" stock. There are accumulations of $21 a share, or 4.3 millions, due on this class "A" stock which must be discharged before any distribution can be made to common stockholders. In addition, $500,000 annually must be set aside

(Please turn to page 570)

Montgomery, Ward's Position at a Glance

CAPITAL STOCK

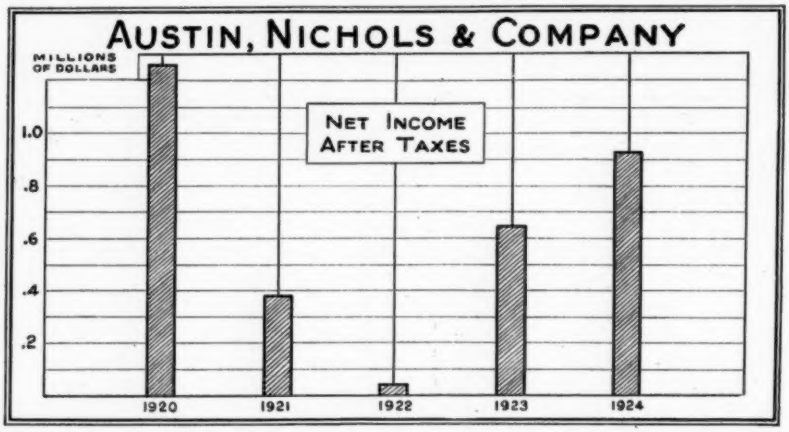
Preferred, 7% Cum., Par $100	$4,250,000
Class "A," 7% Cum., no Par	205,000 shares
Common, no Par	1,141,251 shares

Earnings		Working Capital
D $7,855,278	1920	$25,739,348
D 8,931,299	1921	14,766,320
4,562,607	1922	18,238,354
7,202,625	1923	24,070,931

D—Operating deficit.

Is Austin, Nichols Nearing Dividends?

Company's Affairs Improving Since Return to Private Hands—Growth of Earning Power—Investment Position of Preferred Stock and Outlook for Common



THE business of Austin, Nichols & Company was originally establshed in 1855 in New York City, and the house is one of the oldest wholesale grocery concerns in the country. It was conducted as a partnership under various names until 1919, when the present company was incorporated. In that year, it came under the control of the Chicago packers, Wilson & Company, and absorbed the various canning and auxiliary grocery food lines of that company.

The new interests immediately began to conduct the business along the expanding policy followed by them in the packing-house industry, which was unfortunate as business was going through a period of inflation in all lines brought about by war conditions. Apparently it was the theory of those in control that the abnormal situation would continue to exist indefinitely. Consequently, two years later the company found itself encumbered with large and high-priced inventories, whereas demand, even in food lines, was dwindling to a minimum and food prices on the toboggan.

Success of New Management

In the readjustment, the business was divorced from control by the Wilson interests, this being also due to pressure by the Government, which did not look kindly on the packers also entering the grocery line. Since then, the company has been operated strictly as an individual entity, and the management has been successful in again placing the business on a profitable basis.

Capitalization consists of 4.5 millions 7% cumulative preferred stock, and 150,000 shares of common stock of no par value. The preferred is redeemable at 115 and a sinking fund of 3% of the largest amount of preferred at any time outstanding is provided for its purchase or redemption. As a result, about $1,000,000 of the stock has been retired since 1920, and the equity of the common stockholders in the business is continuing to increase as additional preferred shares are obtained under the sinking-fund provision. The financial position of the company, as disclosed by the balance sheet at the close of the last fiscal year, January 31, 1924, was fair, net working capital being 4.5 millions, or equal to the preferred stock outstanding. Bills payable were rather heavy, amounting to 5.8 millions, but these were well covered by inventories of 6.4 millions, accounts receivable of 3.36 millions, after deduction 1.25 millions of cash. It must be borne in mind that the company turns over its inventories about eight times a year. Plants and investments were carried at approximately 4.5 millions. The balance sheet showed net tangible assets of $29.40 for each share of common stock outstanding.

Improvement in Earnings

The progress of the business during the past five years is well illustrated by the comparison of earnings statements presented herewith. From this comparison it will be seen that, during the hurrah days of 1920, when prices were high and merchants were overstocking their shelves, the company earned over 1¼ million dollars, but changing business conditions resulted in negligible earnings the following year and after paying preferred dividends in 1922, the result was a deficit of over $340,000. The management, after putting its house in order and conducting its operations along sound business lines, commenced to show satisfactory results. Earnings were almost twice dividend requirements on the preferred in 1922, and the improvement continued last year when net was almost three times preferred dividend needs. After allowing for these dividends and sinking-fund requirements, the balance was equal to $2.93 a share for the common, as compared with 92 cents a share in 1922. A better conception of actual earning power for the common stock, in view of the fact that sinking-fund retirements of the preferred add to the equity of the junior shareholders, is obtained by eliminating sinking-fund consideration. On this basis, after allowing for preferred dividends, earnings were $4.02 per share for the common last year, compared with $2.01 in 1922.

Conclusion

The growth of the company's earning power during the last two years, with the gradual decrease in the amount of preferred stock outstanding ahead of the common, justify the present market price for the junior shares. With tangible values of one-third greater than the market price and earning power showing a steadily increasing tendency, it would appear that directors would be justified in paying out at least half of the earnings to the common stockholders. With its established trade standing, and the good results obtained by the management since divorce of the business from the former Chicago controlling interests, there appears to be no reason why the company should not be able to continue to increase its income.

If, as a result of better earnings this year, the stock is placed in a $3.00 annual dividend basis, it is manifestly selling out of line at 22. As a matter of fact, if dividends are inaugurated at the rate of only $2.00 annually, the common shares are selling out of line with other issues paying the same dividend rate and will, in that event, doubtless be found commanding higher prices than are now ruling.

The preferred, at around the present price of 82, appears especially attractive, in view of the return of 8.8% and the substantial assets behind the issue, aggregating approximately $200 a share, of which half consisted of net current assets.

General Motors' Long-Pull Prospects

Company's Financial Position Sound — Dividend Policy Must Depend Upon Trade Developments

Total Sales
Cars and Trucks
Last Five Years

1919	391,738
1920	393,075
1921	214,799
1922	456,763
1923	798,555
1924*	319,150

*1st Five Months

GENERAL MOTORS is the U. S. Steel Corporation of the motor manufacturing world. Representing the greatest aggregation of car and parts manufacturing companies in the world, the parent concern, with its multitude of branches in this country and overseas, is a most dependable barometer of the motor manufacturing industry.

The most active selling season of the current calendar year is now drawing to its close. Ordinarily June and July are known as "clean-up" months, for it is then that the motor manufacturer pushes out his remaining stock and cleans up for the next season which begins on August 1. New models are usually announced in July and in accordance with the response with which they are received the manufacturer bases his production plans for the ensuing months.

An Extraordinary Season

The season drawing to a close has been an extraordinary one. Dealers anticipated the spring demand by heavy purchases in the last quarter of 1923 and the first quarter of 1924. The reason for this was that the dealers feared, if they delayed ordering their requirements, they might, as in times past, be unable to obtain a full quota. As a result the demand on the part of dealers in the second quarter of the current year showed a considerable decrease over the corresponding period of last year. This decline was due, to some extent, to a lessened consumers' demand, but it warranted in no way the pessimistic reports which were broadcast in reference to the motor industry as a whole.

General Motors completes its most active 1924 selling period in excellent shape. Inventories have been reduced to a satisfactory basis and the company's financial position leaves little to be desired. Six months remain of the fiscal year and much may happen in that time. To date, however, the year has been a fair one, though not realizing the earlier and what now appear to have been extravagant expectations. Speaking of the outlook a representative of the company said:

"We have reduced our inventory to such a point that if an unexpected demand should develop in the second half year there would be a famine in cars." It appears, therefore, that this company does not propose to get overloaded as in 1921.

Deliveries of cars for the first five months of each of the last four years is shown in the table herewith.

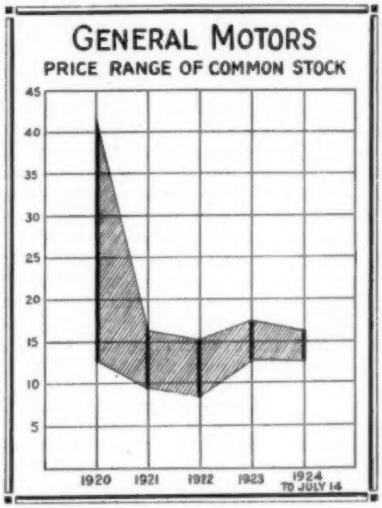
Deliveries of Cars in First Five Months

(In thousands of cars)

	1921	1922	1923	1924
January	6.1	16.1	49.2	61.4
February	8.9	20.9	55.4	78.7
March	13.7	34.1	71.7	75.5
April	17.9	40.5	75.8	58.6
May	17.8	46.7	75.4	45.0
Total	64.3	158.2	327.5	319.1

Capital Structure Simplified

Simplification of General Motor's capital structure, now in process, will make for a better market for the company's securities. The existing capitalization of the company consists of four classes of stock, 6% preferred, 6% debentures, 7% debentures and common. When the contemplated exchange is completed there will be but two issues outstanding, 7% preferred and common. At a special stockholders' meeting last month it was



voted to permit the holders of the 6% preferred and the 6% debenture stock to exchange for 7% preferred stock upon payment of $10 per share. Holders of 7% debentures are allowed to exchange for 7% preferred, share for share. The 20,646,400 outstanding shares of common stock will be exchanged for 5,161,600 shares of new common on the basis of 4 shares of old stock for one share of new stock. General Motors, then, will eventually have an authorized issue of 5,769,844 shares of 7% preferred stock, par $100, 1,099,160 shares outstanding and 10,000,000 shares of no par common, 5,161,600 shares outstanding. Based on present quotations the new common should sell at between 55 and 60 per share.

This Year's Earnings

Earnings of General Motors, as reported for the first quarter of the current calendar year, were equivalent to 85c. a share on the outstanding stock or about the same as during the same three months in 1923. Earnings for the half year are expected to total somewhat better than $1.50 per share on the common. Such a showing, in view of the conditions, would doubtless be entirely satisfactory to the company's 72,000 stockholders. Last year the company earned $2.67 a share on its common. Even if there is a de-

cided slump in earnings during the last half of 1924, it appears reasonably certain that the company will show the present $1.20 dividend earned with a substantial margin for the profit and loss surplus.

Earlier in the year there was talk of an increase in General Motor's dividend rate, but until the outlook for the industry has passed through its present uncertain phase it hardly seems likely that the company's directors will do more than place the new stock on a $5 basis. General Motors is being operated more as a business corporation and less as an adjunct to Wall Street than at any time in the company's history. The du Pont interests control the company and its multifarious affairs and have shown a genuine desire to build it up to a position which will compare with that which the U. S. Steel Corporation holds in the steel industry. Increasing the amount of the outstanding common stock by cancelling the par value and issuing ten for one made the issue much more difficult to move in the market and therefore greatly narrowed the range of its fluctuations.

But the real reason, of course, why General Motors common does not make the wide swings which characterized its earlier and more speculative phase, is the fact that those controlling the company are not manipulating the issue.

Investment Status

General Motors common, therefore, should be regarded more from an investment angle than as a speculative medium. Selling at about 14 at this writing and paying $1.20 a share the common yields 8.5%. **Owing to the dominating position the company occupies in the industry, its able and conservative management and strong financial resources, the common evidently offers much that is attractive as a long-pull investment.**

The present return is high enough to warrant the investor taking on a line of General Motors common and holding it against the normal growth of the industry and the company.

IMPORTANT!

The next issue will contain a comprehensive review and analysis of the entire traction system of the United States. In view of the volume of current misrepresentation of the position of this group of securities as a class we believe that the results of this fresh and unbiased investigation will be well worth the attention of investors. A number of attractive bonds and stocks will be given as well as a list of those which do not invite favorable comment.

Rail Preferred Stocks Strong

THE outstanding feature in the preferred share market during the past two weeks was the action of the railroad shares. St. Louis Southwestern, which had previously gained six points, advanced another four and was in strong demand around 69 on the profit-taking which ensued. Pere Marquette preferred likewise sold at better than 69, up 4, and Kansas City Southern advanced 3 points. Not to be outdone by the more speculative stocks, New York, Chicago & St. Louis preferred continued its upward trend, with an advance of 2½, and Chesapeake & Ohio sold at 107½, up 1½.

Among industrials, the best showing was made by Mack Trucks, Inc., first preferred, which gained 3½, and which we have advanced to the list of sound investment, as both asset value, earnings and prospects of the company warrant such rating. Brown Shoe, which has a very thin market, gained 6 points on a sale of 100 shares. The oils were inclined to weakness on passing of the common dividend of a prominent independent, but were well taken as offered. Other issues which showed good gains were American Smelting, Associated Dry Goods and Armour & Company of Del.

PREFERRED STOCK GUIDE

(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

Sound Investments

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid d Times Earned
INDUSTRIALS:				
American Ice Company ....(n.c.)...	6	82	7.3	2.2
United States Realty & Improvem't Co. (c.)...	7	102	6.9	2.7
Mack Trucks, Inc., 1st...............(c.)...	7	101½	6.9	(y) 2.8
General Motors Corp. deb..............(c.)...	7	97	7.2	(y) 5.1
American Woolen Co. ....(c.)...	7	100	7.0	2.6
Cluett-Peabody & Co...................(c.)...	7	102	6.8	4.7
Loose-Wiles Biscuit Co. 1st...........(c.)...	7	105	6.6	3.3
American Can Co. ....(c.). .	7	115	6.1	2.5
Baldwin Locomotive Works..............(c.)...	7	115¼	6.1	4.1
Endicott-Johnson Corp. ....(c.)...	7	108½	6.6	4.6
Sears-Roebuck & Co....................(c.)...	7	115	6.1	12.6
PUBLIC UTILITIES:				
North American Co.....................(c.)...	3	50	6.0	(w) 6.3
Philadelphia Company..................(c.)...	3	45	6.7	5.8
RAILROADS:				
New York, Chicago & St. Louis.........(c.)...	6	89½	6.7	(z) 3.3
Chesapeake & Ohio conv................(c.)...	6.50	107	6.0	4.9

Middle-Grade Investments

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid d Times Earned
INDUSTRIALS:				
Bush Terminal Buildings Co............(c.)...	7	95¼	7.3	1.1
Coca-Cola Co. ....(c.)...	7	93	7.5	(x) 5.1
American Sugar Refining Co............(c.)...	7	86½	8.1	3.4
Brown Shoe Co.........................(c.)...	7	90	7.8	3.3
Bethlehem Steel Corp. conv............(c.)...	8	103	7.7	3.3
Cuban-American Sugar Co...............(c.)...	7	97	7.3	6.6
California Petroleum partic. pfd......(c.)...	7	93	7.2	1.8
J. Kayser & Co........................(c.)...	8	86	9.3	3.0
American Smelting & Ref. Co...........(c.)...	7	102¾	6.7	1.7
American Steel Foundries..............(c.)...	7	103	6.7	3.0
Gimbel Brothers, Inc. ....(c.)...	7	102	6.9	3.3
U. S. Industrial Alcohol Co...........(c.)...	7	102	6.9	6.4
Armour & Co., of Del..................(c.)...	7	87¾	8.0	(z) 2.9
Allis-Chalmers Mfg. Co................(c.)...	7	95½	7.3	2.8
Associated Dry Goods Co. 1st..........(c.)...	6	89	6.7	3.0
Genl. American Tank Car Co............(c.)...	7	93	7.5	5.4
Natl. Cloak & Suit Co.................(c.)...	7	93	7.5	...
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st.......(c.)...	7	98	7.1	(x) 2.3
Metropolitan Edison ....(c.)...	7	93	7.5	...
Public Service of N. J................(c.)...	8	104	7.7	(y) 3.4
RAILROADS:				
Baltimore & Ohio......................(n.c.)...	4	59½	6.7	...
Bangor & Aroostook....................(c.)...	7	90½	7.7	3.5
Colorado & Southern 1st pfd...........(n.c.)...	4	59	6.7	6.2
Pittsburgh & W. Va....................(c.)...	6	98	6.1	2.0

Semi-Speculative Investments

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid d Times Earned
INDUSTRIALS:				
Famous Players-Lasky Corp.............(c.)...	8	95	8.4	(y) 5.7
Pure Oil Co. conv. pfd................(c.)...	8	93	8.6	3.5
American Beet Sugar Co................(n.c.)...	6	74½	8.0	1.3
National Department Stores............(c.)...	7	94	7.4	4.0
Fisher Body Corp. of Ohio.............(c.)...	8	100	8.0	...
Austin, Nichols & Co.	7	82	8.5	(w) 1.5
Worthington Pump & Mfg. "A"...........(c.)...	7	73	9.6	2.0
Orpheum Circuit ....(c.)...	8	94½	8.4	(w) 2.5
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 2d pfd.......(c.)...	6	90	6.6	(w) 1.8
RAILROADS:				
Pere Marquette ....(c.)...	5	69	7.2	2.2
St. Louis Southwestern................(n.c.)...	5	69	7.2	1.7
Kansas City Southern..................(n.c.)...	4	55	7.1	1.5
Southern Railway ....(n.c.)...	5	75	6.6	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

School for Traders & Investors

Thirty-Sixth Lesson

How to Commit Financial Suicide

A Concrete Example of the Dire Effects of "Overtrading"

IN our last lesson we presented a list of ten cardinal principles of trading. The first and most important admonition was, "Do not overtrade." It was pointed out that the violation of this principle was the direct or indirect cause of more losses than any other indiscretion in market operations.

Overtrading is dealing in more shares of stock than the available capital justifies. It is the effect of following that insidious impulse to "get rich quick." It is a form of credit overextension that makes the trader's position vulnerable to even a moderate reaction, and places his capital in jeopardy.

One who buys more stock than his capital will margin properly according to the customary regulation of a first-class broker, is acting on the assumption that the market's next move *cannot* be against him, but *must* be in his favor. This assumption is unwarranted according to any mathematical theory of chance. Not only is it contrary to sound trading practice, but it is not even a fair gamble. Such extension usually takes place in conjunction with the violation of the principle "buy during weakness," thus reducing the chances of a favorable new position, and at the same time it increases the probability of serious impairment of capital by simply doubling up the possible loss in case of adverse price movement. It is the reverse of common sense.

An Illustration of Overtrading

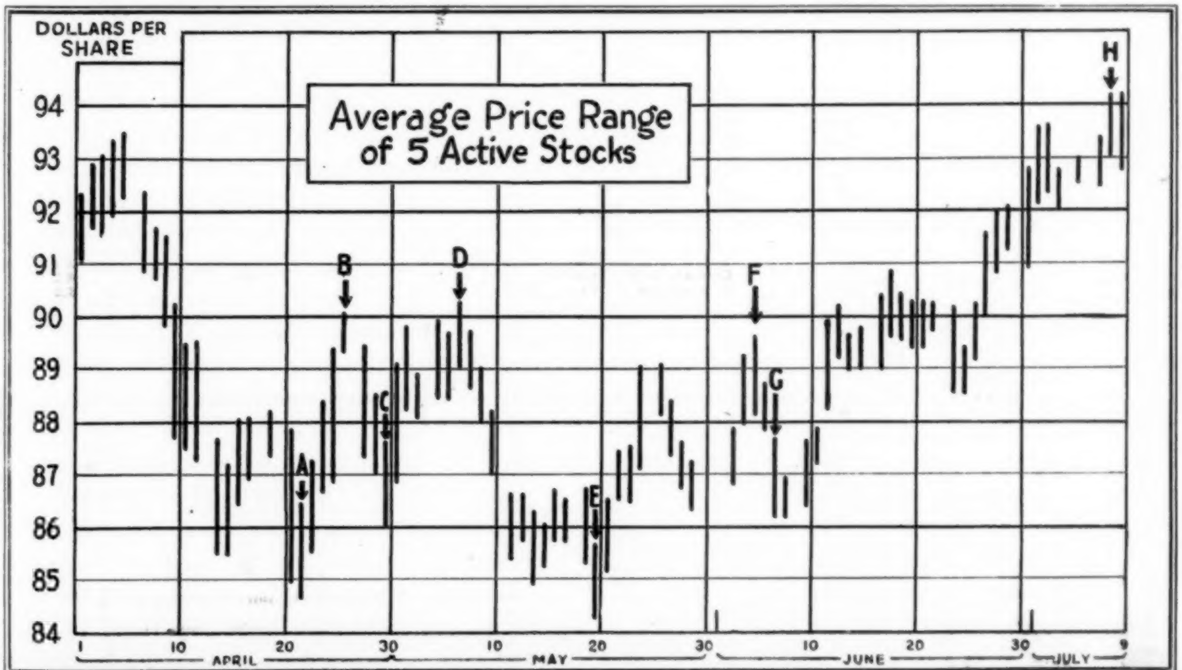
To illustrate the effect of overtrading, we present the following practical example: Our graph shows the range of the average price of five stocks from the beginning of April to early July. Suppose our "get rich quick" trader buys 100 shares of each of the five issues at the ideal level of 85 on April 22 (point A on graph) and agrees to maintain a margin of 20 points. The original capital required to carry this line is $10,000. Odd-lot traders would require proportionate capital and would be under the additional handicap of odd-lot broker's commissions.

At "B," the average price has advanced to 90, thus adding 5 points, or $2,500 to our trader's equity which now stands at $12,500. He becomes enthusiastic. The idea of standing pat or realizing a part of his profits on strength to provide additional buying power in a reaction does not occur to him. He figures that he can margin another 100 shares at least, so he makes the additional purchase. He now holds 600 shares, requiring $12,000 margin.

The natural normal reaction takes place, going more than half way back, as fate usually arranges matters under such circumstances, and the average price of the 600 shares declines 4 points to 86 at "C." This wipes out $2,400 of equity, reducing the margin to $10,100, or $1,900 short of 20 points. In order to maintain his position, our trader must either put up $1,900 or cut his line down to 500 shares by closing out 100 shares at a loss of $400.

Next day the market recovers, but our trader has no additional buying power,

(*Please turn to page* 563)



Building Your Future Income

For Men and Women Who Look Ahead

Informative Editorials—2

The Building & Loan Association

> ***This is the second of B Y F I's new series of "Informative Editorials" intended to bring Investors and our more important Financial Institutions closer together.***
>
> ***The first of the series dealt with the Trust Company and future numbers will touch upon the Savings Bank, Life Insurance Company and other institutions.***

THERE are more than 10,000 Building & Loan Associations in this country today.

These associations have a total membership of close to 7,000,000 persons.

Their assets, according to the last reckoning, are in excess of $3,500,000,000.

Manifestly, *if we consider these Associations as a group*, they play a part in the financial affairs of the nation closely rivalling that played by the Savings Banks and not suffering too greatly by comparison with the part played by the National and State banks and the Life Insurance companies.

The enormous popularity of the Building & Loan Associations throughout the country may be attributed to the eminently practical service they render to (1) small-home builders and (2) small investors.

Their home-building service has been described as "the easiest, simplest, most economical mortgage plan ever devised." Briefly, it provides for the repayment of a mortgage loan on a monthly basis, with that portion of each monthly payment required for interest being computed in terms of the constantly *decreasing* unpaid balance. Thus, the home-builder is relieved of the necessity of liquidating or reducing his mortgage through the payment of large lump sums, and enjoys a corresponding gain in respect of his interest-costs.

Their investment service is, theoretically, equally attractive. Through the properly conducted and well-regulated (note these qualifications!) B & L Association it is possible to invest regular sums of money, in smaller amounts, with greater safety and at a higher interest return than through any other investment-medium known.

Unfortunately, our Building & Loan Associations cannot be considered "as a group." For the laws of the various States in which they function often differ radically from one another; also, the policies of the various States in which they function are often extremely diverse; and, finally, the management of any one Association may be far more capable and trustworthy than the management of some other.

For these reasons, the intending investor or the intending home-builder cannot, wisely, patronize *any* B & L Association merely because it is a B & L Association, and without the most searching examination of its affairs, methods and management. There is no more warrant for moving blindly in this field than in any other field.

The U. S. League of B & L Associations will be in session for their annual convention about the time this page appears. It is to be hoped that the Convention will perceive the need for standardization in the Building & Loan field—that the delegates will, of their own initiative, decide to adopt a *National Building & Loan Code* such as will make

the associations in New Jersey the same as those in Ohio and the associations in Ohio the same as those in New York. By such action, the present confusion of principles might be removed and the present cross-purposes welded into one purpose; incidentally, where fullest confidence now seems to be merited by only a *portion* of our B & L Associations, that confidence might justifiably be reposed in them all.

Until such a Code is adopted, investors must continue to do what the wiser ones have done in the past, viz., consider each Association on the basis of its own merits and patronize none which fails to measure up to the highest standards—with the note that, when you find one which *does* measure up to the highest standards, there will be no need of looking further for an investment-institution.

Who Won?

A Little Story from Real Life

By K. C. R.

GATHER around me, children, and I'll tell you a little story about my wife and myself.

My wife and I, after having been one for several years, suddenly came to know what it was to encounter financial difficulties. She, who had been a well-paid private school teacher for some time, was suddenly forced to quit, due to failing health; while I, who had been a pretty successful business man for several years, suddenly saw my field narrow and contract to a point far below what I had been used to. Thus, where economical living had never been an outstanding issue with us before, it suddenly became a paramount issue with us now. From comparative affluence we were reduced to straitened circumstances, and all within a few weeks' time.

Now, you know what financial reverses do to people. No matter how angelic-minded they may be, such reverses nine times out of ten make them cross, irritable, hard to get along with. Well, my wife and I were no exceptions to this rule. Even after several years of uninterrupted connubial bliss, we began to find ourselves drawing apart. We started with little tiffs and spats, which developed into quarrels; and then, before we knew it, those quarrels developed into mutual suspicions and grudges. Inevitably, then, the home that had been so happy, and the scene of so many pleasant experiences threatened to become a very unhappy home for us both—not to speak of our two children.

It was after several months of this sort of thing that we engaged, one day, in a particularly violent quarrel. In fact, there were moments during that quarrel when it looked as though we would have to break up altogether. Fortunately, both of us came to our senses just in time to save the situation. And then it was that my wife made the suggestion which was to resolve all our future difficulties and put us back once more on Happiness Street.

"Look here," she said, "let's stop this sort of thing. Let's make one last, honest attempt to get together about this matter of money.

"We can't get anywhere by accusing each other of being the extravagant one. Accusations never proved anything yet, and never will. On the other hand, neither of us is willing to 'give in' unless final, irrevocable proof as to which one is the wasteful member is forthcoming.

"Let's devise some way," she went on, "of uncovering final proof. Let's work up some sort of a Two Part Budget, live on that Budget for a year, keep individual accounts of expenditures and savings and then see which one manages to make the best showing."

After some objecting, I agreed to this plan. And this is what we arranged:

We worked up a Budget divided into Three Parts, instead of two. Of these three parts, the first included all items under the heading of Fixed Expenses—that is, rent, insurance, and all the other items which we could not control.

The second part we named Schedule A, and the third part Schedule B. These two parts represented a division of the balance left over after deducting the above Fixed Expenses but *without any allowances for Savings or Investments.*

We managed to agree on the amount that should be allotted for both these two Schedules without much trouble. Why? Probably because no allowance was made in either of them for Recreation, Advancement or Savings. Thus, our entire income, such as it was, was made available for the operating necessaries of each one of us; on that basis, each allotment looked to be ample.

"Now," said my wife, after the two Schedules had at last been compiled, "I'll make a sporting proposition: Let's guarantee that on all parties, vacations, trips, etc., in which both of us join, we shall share equally the expenses involved—dollar for dollar. Let's guarantee that any money advanced, in any way, by one of us to the other shall be kept track of and counted in at the end of the year! Let's guarantee one thing more, namely, that neither of us shall ever let the other one know how much he is saving of his given allotment. At the end of the year, let us compare notes on savings and then—and here is where the sporting proposition comes in—let the one who has saved the greater percentage of his allotment be given the right *to increase his allotment in the following year* by the sum of money representing the difference between the two percentages saved."

By the above, she meant this: Suppose my allotment was $1,500 and I saved $150, or 10%; and suppose her allotment was $2,500 and she saved $200, or 8%. I having saved the *greater percentage,* would be the winner and would be entitled to increase my allotment in the following year by $50, or the amount of my excess.

Now, I used to pride myself on being always willing to accept any sporting proposition. To back down on this particular one would be the worst imaginable policy, obviously. With one qualification, therefore—that my wife should be required to serve wholesome food and keep the house in proper shape—I accepted.

I've spent the years since then trying to recover my dignity. What a trap I did walk in!

My wife, very adroitly, had based her claim for household expenses on her expense sheet for the previous year. In this expense sheet, there were included the wages of two well-paid servants. Also in it were the costs represented by the entertaining we had done at home in the previous year. Furthermore, there were her clothing costs, as of the previous year.

Now, it never occurred to me to question these items. Here was my wife, in somewhat poor health, not overly strong and not, so far as I had ever learned, very self-reliant. It stood to reason that she would need as much in the year ahead as she had needed the year previous. It would have been inhuman to cut her

down. Naturally, then, I let her allotment stand.

In the months that followed, I went through some of the most breath-taking experiences, in a manner of speaking, which I have ever known. First off, out went the two maids! It seemed that our youngest boy—now six years old—didn't need a nurse any more; at any rate, he quit having one; and, far from suffering any ill effects, he began to gain in sturdy, self-reliance at a rate which would have seemed unbelievable before. As for the other maid—a general houseworker—it appeared that my wife had convinced our oldest child—a daughter, then thirteen years old—that she would get much more fun out of life if she had a regular allowance of a respectable sum; she had further convinced Betty that she would *receive* such an allowance if she would help her mother perform at least some of the tasks the houseworker had formerly done.

With the two maids gone, I knew that my wife must have already assured a saving of at least $2,000 a year. So I immediately cast about for ways and means of effecting a comparable saving myself. I saw two things I could do: One was to cut out my clothing allowance *entirely* for the year; the other was to give up my membership in the country club.

The first of these measures was not so difficult. My wardrobe was pretty well stocked. The second was like pulling teeth. It hurt. Nevertheless, the thought of what would happen in the following year if my wife beat me out by a big percentage drove me to it. I sat down one morning and wrote my resignation.

My wife soon found out about my resignation. And I suppose she knew, pretty well, how much of a saving this would mean for me. At any rate, she evidently decided to recover her advantage by introducing a new savings idea—this time in the matter of *her* clothing: The dressmaker who had come twice a year in the previous years was instructed not to come. Arriving home early one afternoon, I found my wife sewing her own clothes!

What would have been a source of enormous gratification, under previous conditions, now proved a terrific blow. Here she was adding some more hundreds to her assured savings—and I had already given up the country club! What to do?

You can believe me or not, when I tell you what I finally decided to do—and actually did do. Briefly, I gave up noon-day meals and smoking! Fact! I'd heard of other people doing the same thing, of course, and I knew I'd probably be better off for it, mentally and physically. Nevertheless, it was a terrific decision to make.

No man can keep anything from his wife. She knew what I had done three hours after I'd decided to do it!

She didn't breathe a word about it—didn't let me think for a minute that my action even interested her. Nevertheless, I soon discovered that it *had* interested her, very much.

I made this discovery one evening by as clear an exhibition of eavesdropping as man was ever guilty of. Hearing her protesting her inability to accept an invitation somebody was extending her over the 'phone, one evening, I got behind the nearest curtain and listened furtively. You can imagine my surprise when I heard her say, "I'm sorry, Mabel, but I'll have to ask you to count me out of the Matinee Club from now on."

Great guns! Here she was saving some more money—saving at least $7 a week more!

And that wasn't all!

The following evening, one of my wife's closest friends dropped in. In the course of the conversation, this friend suggested that, on the morrow, the two of them go to the store to pick out their fall hats. "I'll go with you to help you pick out yours," said my wife, demurely, "but I don't think I shall buy any myself. You see, *I'm making my own hats now!*"

Well, I won't take any more of your time, good reader, telling you about all the other experiences I had. Let me jump, if you will, over to the end of the year, when the time came for us to compare accounts:

Briefly, I found that I was beaten—and beaten badly. My wife had saved almost 60% of her allotment and I, poor fish, had managed to save only about 15%!

And this despite the fact that I had given up every imaginable form of expense!

In the year ahead of us, according to the agreement, I would have to let my wife increase her allotment by no less than $3,800!

"But, look here," I spluttered, "how can I allot $3,800 more to you when I can't save anywhere near that sum out of my own allotments?"

But my wife was adamantine.

"I guess you'll have to increase your income, one way and another," said my wife, sweetly.

Truth to tell, that seemed my only alternative. And having bound myself to an agreement, I decided to adopt it. I attacked my work like a man possessed.

I don't mind reporting that I did manage to add almost $3,000 to my income in the succeeding year. But it didn't help, much. My wife, in the second year of her newly adopted way of living, found that she could improve greatly on her first year's record. By the time the second year ended, I was more in her debt than ever!

To make a long story short, the end of the third year found me almost $10,000 in her debt, according to the terms of the agreement. Sadly, I admitted defeat—and very humbly I asked for an armistice.

"All right," said my wife, "I'll agree. You take out $10,000 more insurance, this time in the endowment form, and make me the beneficiary. We'll both have the income from it when it matures. I'll accept that in settlement."

A very much bemused gentleman, I did as I was directed. I came home, a few days later, with the new policy in my pocket. Then my wife sprang her best surprise:

"Jack," she said, "I owe you an apology."

"Why?" I demanded.

"Well," she replied, "because I've let you think I won this contest of ours when, after all, *you* were the winner!"

"But," I ejaculated, "you *did* save the most, didn't you?"

"Yes," she replied, smiling. "But that proves that I was wrong in the first place, doesn't it? It proves that, in the old days which led up to this contest, it was I who *wasted* more. Otherwise, how could I have saved so much more since then?"

This was about as magnanimous an admission, I believe, as any admitted victor could have made. It was solid gold come to sight.

The obvious fact was that we *both* had won. We'd increased our estate, if you include the insurance policy, by nearly $20,000 in three years. And, which is worth more than all the money in the world, we had regained our happiness.

What I Decided About Home Owning

A True Story Based on My Own, Personal Experience

By C. L. H.

IT was a hot and sultry evening in August. Our landlord had dropped in for a friendly call. There was nothing unusual about that. He was in the habit of dropping in for a friendly call the first of each month. This time, however, he sprang a surprise. After we had handed him the usual check for the rent of our eight-room half of a two-family house he gently informed us that the house was for sale. He praised its merits. He painted in glowing colors its value as an investment. He politely notified us that as we were such good friends he would sell it to us at a greatly reduced figure; but if we did not wish to avail ourselves of this splendid opportunity we would have to seek a new abode.

> ***"Voila!—There You Are!"***
>
> ***"If you like to be awakened in the spring by the robins—if you are content with gossip, church socials . . . and inferior showings of moving pictures, then I say live in the suburbs.***
>
> ***"If, on the other hand, you want to be free of care and responsibility, if you want to live your own life untrammeled by meddling and criticism, if you like to hear good music and see good drama . . . live in the city.***
>
> ***"Unless you are a natural mechanic and have the time, inclination and strength to do most of the work around a place, the expense, all things considered, will be about the same.***
>
> ***"So, as the French would say, 'Voila!' There you are!"***

We Move

Now we had been collecting rent receipts from this same landlord for a considerable time. In our innocence we thought we could keep on doing so indefinitely or until we chose to go somewhere else. Therefore his words came to us as a positive shock. We liked the house well enough, but we did not care to own it, so we set about finding another place to hang our hats.

This was at the time when the housing shortage was beginning to become acute. We hunted high. We hunted low. But no apartment could we find that seemed suited to our needs. At last in desperation we determined to buy a single house in the suburbs where values had not risen so abruptly. Then we consulted more agents. Day by day in every way we grew bluer and bluer. Finally, however, the clouds seemed to lift. We decided on a ten-room house in a pretty little community eighteen miles from the city. The house itself was ideally located in the best part of town convenient to stores, churches, etc. The village, though rural in character, enjoyed good train service and a reputation for health-giving air and water. We had the house papered and painted throughout, and in due time moved in.

Gloom

Then the fun began. Scarcely had we become settled when the carpenter fixing a loose board in the front steps discovered that the entire foundation of the piazza was rotten. This meant a whole new piazza. The back porch was in even worse condition. We built a new back porch. Most of the electric light fixtures were unsatisfactory, so we bought new electric light fixtures. Much time and money were spent on the grounds. It cost us $50 to put the furnace in proper order. Before the winter was over we reshingled half of the roof. The next year the man owning the vacant lot between us and the corner of the street was hard pressed financially. We bought the lot to protect ourselves. More time and money were spent in converting it from a kitchen garden into a lawn. When we moved from the city I expected to do all the outside work myself. On our original ten thousand and some odd feet of land that would have been easy. It would have furnished the physical exercise needed by a man doing sedentary work. With the half acre which we now possessed, however, the story was different. Consequently for the last three summers we have employed a gardener about eight hours a week at fifty cents an hour, and I have taken my exercise in other ways or gone without.

In addition to these woes we have found ourselves rather isolated. The short train or automobile ride has proven an insurmountable barrier to most of our old friends. As a result we scarcely ever see them. Then too we all enjoy good music and the drama. According to the railway schedule we could leave here after lunch and be in town for a matinee or depart after dinner and attend an evening performance. But again we reckoned without our host. We did not realize that the time table was a joke and the railroad's equipment a mass of junk. Unless we want to run the risk of missing the entire first act or even more we must take an earlier train and lunch or dine in town. Soon after we came out here the Interstate Commerce Commission granted all this section's roads a twenty per cent increase in passenger rates—quite a jump in the expense of commuting. And to cap the climax we found edibles of all kinds, even vegetables, eggs and milk, higher than in the city. Our cup of disappointment was full.

Dispelling the Gloom

Cheer up, Gentle Reader! It is always darkest before dawn, they say. Every cloud has its silver lining, and ours surely has a big one. We have ten spacious rooms instead of eight small ones. We have extensive grounds instead of a yard which I could almost put in my hip pocket. We have nine shade trees, five fruit trees, and flowers and shrubs of various kinds, shapes and sizes. Although we have lost most of our city friends, we have gained others who perhaps are just as good. In many respects life in a small community is very pleasant. It gives you an opportunity to study nature. It brings you in close contact with people. In spite of the fact that you have to listen to much gossip, scandalous conversation, and many lies, you know that those very people who talk so outrageously would be the first to give comfort and assistance in case of need. Then there is a certain satisfaction in owning your own home. You are sure that as long as you pay your taxes and interest on the mortgage (if there is one) you will have a roof over your head. No one can dispossess

you. True, you have more care and bother than if you lived in a hired apartment. You cannot blame a landlord if the janitor lies down on his job or workmen are dilatory in making repairs. On the other hand, you can have your house as warm or cool as you like. And what is more, you can paper and paint your living-room without consulting anybody or anything except your own pocketbook.

Financial Aspects

This brings us to the financial aspect of the proposition. We paid $6,000 for the house and the original ten thousand and some odd feet of land. We spent an additional $1,000 for the corner lot already mentioned. That made a capital expenditure of $7,000. By the end of 1923 we will have given the painter, paper hanger, plumber, carpenter, gardener, electrician, etc., approximately $6,427.29. This amount includes interest on $7,000 at 6%, coal, taxes, insurance, water, three hard-wood floors, a gas stove with piping from the street, a heater for continuous hot water, and screening for the front porch. In other words, we have paid out an average of $2,142.43 a year for rent. Pretty expensive, one would say, but!

And here is where the but comes in. Real estate values have increased. Our place is now in A1 condition and considered one of the best in the village. I have talked with many men whose opinions have weight, and they all say that we ought to be able to sell for from $10,000 to $12,500. Therefore, I believe, we could conservatively charge off some of that $6,527.29 to capital account. Suppose we were to sell tomorrow for $10,000. Our rent for the last three years would have cost us exactly $1,142.43 a year, or a little under $100 a month—less than we probably would have paid had we remained in the city.

All this deals with the past—with what was and what might have been. Let us now take a look at the future. If we consider that we have a capital investment of $10,000 free from debt (there was a small first mortgage which we subsequently paid off), we are losing approximately $600 a year in income. Our coal bill is $232.50 annually (15 tons at $15.50 per ton). I expect our taxes this year will be in the vicinity of $200. The charge for water is always $25. Then add in $200 for care of the grounds, insurance, and ordinary repairs, and we have a grand total of $1,257.50, or roughly $100 a month. For a seven or eight-room apartment in the city we would have to pay at least that much—probably more. As we are now situated we have plenty of floor space and good grounds. These are very nice; but I ask you, are they the chief essentials for happiness? We think not. I truly believe that if we lived in the city we could save money. Food costs less. Instead of spending $20 a month for carfare we would spend only about $5. We would also deprive the restaurant owners of some profit. We might and probably would spend more for amusements. In that event we might not be any better off financially. But my wife and mother would have more leisure, and we would be able to use more money for recreation and education. (I believe that good books, plays, musical compositions, art exhibits, etc., have educational value.) After all, is not the chief aim in life to get the most out of what you have?

Conclusion

In conclusion let me say that for ourselves, although we would dislike giving up our own home and going into smaller quarters, we have decided that we prefer to live in the city. I believe that the advisability of renting in the city or owning in the suburbs depends entirely upon your individual temperament, likes and dislikes. If the advantages of home owning outweigh its trials and tribulations, live in the suburbs. If you like to be awakened in the spring by the robins, if you enjoy nature in her different moods, go to the country. If you are content with gossip, church socials, amateur theatricals, and inferior showings of moving pictures, again I say live in the suburbs. If, on the other hand, you want to be free of care and responsibility, if you want to live your own life in your own way untrammeled by meddling and criticism, if you like to hear plenty of good music and good drama, if you want to be accessible to the many other advantages which only a metropolis can offer and do not mind its clatter and confusion, live in the city. Unless you are a natural mechanic and have the time, inclination, and strength to do most of the work around a place yourself, the expense, all things considered, will be about the same. So, as the French would say "Voila"—there you are.

Points for Income Builders

IN the previous issue, brief descriptions were offered of the functions of some of the more important types of banking institutions. Continuing on this theme:

Federal Reserve Banks are well described as "bankers' banks," which is to say their dealings are with the banks of the country rather than with individual depositors.

There are twelve Federal Reserve Banks, or one for each of the 12 districts into which the country was divided under the Federal Reserve Act of 1913. They serve as credit centers, whose basic functions may be said to be to systematize the supply of credit within a district and to regulate credit operations in the interests of all concerned.

Federal Farm Loan Banks, or Federal Land Banks, are institutions established under the Rural Credits Law of 1916. Their basic purpose is to supply a credit machinery through which owners of farm property may borrow on equitable terms and for approved purposes. No Federal land bank may charge more than 6% on its mortgage loans nor more than 1% above the rate paid on its last issue of bonds.

These banks are cooperative institutions. Intending borrowers are required to form an association in which each individual must take stock up to 5% of the sum he intends to borrow, and the association is thereafter required to subscribe for stock in the bank up to 5% of the total sum its members desire to have. Thus, every borrower becomes a stockholder in his association, and every association becomes a stockholder in the district Land Bank. Furthermore, each stockholders is made liable up to twice the amounts of his holdings for the acts of his association.

Under the same act of 1916, **Joint Stock Land Banks** were authorized. The differences between institutions of this character and the Federal Land Banks outlined above are well summed up by John Thom Holdsworth in his popular *"Money & Banking"* (D. Appleton & Co.) as follows:

"The purposes and operations of the joint stock land bank differ from those of the Federal land bank in various respects. The field of operation of the former is limited to two states, while the latter operates in the several states of its district as established by the Federal Farm Loan Board. The Federal land bank may issue bonds up to twenty times its capital and surplus, while the joint stock land bank is limited to fifteen times the capital and surplus. Stockholders of the latter are liable up to twice the par value of their stock, whereas only single liability attaches to the stock of the Federal land bank. The Federal land banks are cooperative organizations, the stock being owned by groups of borrowers from the banks; joint stock land banks are not cooperative societies, their stockholders are not identified with their borrowers, and not unusually they are owned or controlled by large banks or trust companies, or by a group of investment bankers. Each Federal land bank guarantees the bonds issued by all the others; each joint stock land bank issues its bonds independently, without any responsibility for those of other banks."

Can a Young Business Woman Assure a Latter Year Income of $20 a Week?

By Florence Provost Clarendon

HAVING read with interest your articles in THE MAGAZINE OF WALL STREET *as to an Income in later life, I address you to get some advice.*

I am 31 years of age and as a business woman am depending greatly upon my own earnings. I am anxious to arrange some way of securing myself after I reach the age of 50 years. What would you advice to enable me to have some income, say, $15 to $20 a week, after that time? I cannot afford to pay in at this time a lump sum as your article suggests. What is required of me in the way of annual payment to take out a Life Insurance Policy, maturing in about 20 years?

I might mention that I am single and have no one depending upon me.—M. S., New York City, N. Y.

It would be to your own advantage to consider the Annuity as deferred at least 25 years (payable at age 56) since the return is much larger than at age 50. Moreover an active business woman of 50 is apt to continue in her work for at least five or ten years after she actually arrives at her fiftieth year. That is really the prime of life and to cease business or professional activities at that age would take much real interest out of the life of a woman who was then mentally and physically alert. I am, therefore, taking the liberty of urging you to consider an Annuity at a somewhat older age, and quote you the rate for a Deferred Annuity payable in 25 years, or on your attaining age 56.

If taken at your present age (31) this Annuity for life beginning with age 56, to furnish $10 a month, would require an annual premium of $36 a year. Thus, to furnish an income of $80 a month —or approximately $20 a week—the premium would be $288. This would necessitate a saving of about $24 a month on your part to meet the premium, and this premium, if desired, could be paid quarterly or semi-annually, instead of annually.

If you ceased paying premiums at any time prior to the period when the Annuity became payable—that is, before age 56—there would be a proportionate amount payable to you on your attaining 56 years of age. If you preferred to take a lump sum instead of entering upon an Annuity for life at age 56, the cash value of the Annuity at age 56, if in full force at that time, would be $10,200. It would be preferable, however, that you should at that time carry out your original plan and enter upon the annuity payments for life of $80 a month.

This Annuity would give an excellent coverage for the later years of your life and guarantee an income for your old age. It would provide no protection for a beneficiary, however, but I understand that such coverage is not essential in your case. If you should wish to consider protection for father or mother, as well as providing an income for yourself in later years, you could with advantage consider a 25 Year Endowment Policy which, when taken at age 31, would yield its proceeds to you at age 56, or in event of your death prior to the maturity date of the Endowment, the proceeds would be payable to your beneficiary. A $10,000 policy on the 25 Year Endowment plan at age 31 would cost (non-participating rate of U. S. Life) $310 annually. If it were desired that the proceeds of the policy be payable in monthly instalments for 20 years certain, and life thereafter of the insured (instead of in a lump sum of $10,000) the income would be $53.70 monthly. This would be payable for the life of the insured beginning with age 56. In case of the insured's death before the Annuity had been paid for 20 years, the beneficiary named in the policy would receive the unpaid instalments for that period. For instance, if the insured lived to enjoy the annuity payments for 15 years and then died, her beneficiary would receive the balance of the unpaid instalments for the remaining 5 years. But the insured receives the monthly income of $53.70 under the 25 Year Endowment for $10,000 throughout her remaining lifetime after age 56.

FOR A METHODIST MINISTER

Should He Cash In On His Existing Policies or Let Them Accumulate?

I am a regular purchaser of your magazine at newsstands, due to the uncertainty of my address, and consequently cannot come to you for information through the preferable channel of a subscription standing.

Herewith is my insurance problem, and if you are permitted to give me light on it, I shall be grateful, and if not, I shall know that I am beyond the pale.

I hold three policies:

$10,000 *N. Y. Life, 20 Payment. Last payment made last April so that this April I must decide to*

(Continued on page 583)

B. Y. F. I's. Recommendation Page

A Regular Feature Designed for Its Usefulness to Small Investors

WHEN a man or woman of limited means asks you for investment advice, you find yourself strongly tempted to tell him to stick to the savings bank.

You've been in the advice-giving business for a good many years, we will say; you know what tricks even the highest-grade securities can play upon their buyers; you know what it is to have your own hard-earned savings swept away overnight. With this knowledge, your first, strong impulse is to steer the would-be investor away from the security markets, where he will be comparatively unsafe, and into the savings bank, where he will be comparatively safe. That is the easiest way.

When you stop and think things over, however, you find yourself drawn to a somewhat different conclusion. For one thing, you realize that the "little man" (financially speaking) needs the excess income which securities yield—and needs it badly. For another thing, you realize that, by and large, high-grade securities can be selected in such a way as to reduce the risk element to a very low level. And, far more important than either of these influences, you also realize this:

If you content yourself with advising the little fellow to stick to the savings bank, nine times out of ten he'll seek out another adviser; it isn't human nature, somehow, to be content with a sure three and a half to four per cent; and once **your man has started out in quest of another adviser, you can be pretty sure that he will finally fall under the spell of some charm weaver who, instead of getting him to put his funds in the high-grade securities you might have recommended,** will advise him to put them into crazy, wildcat promotions where the chances of success will be about 1,000 to 1, against.

Thus, where you might have kept your man out of the wildcat field by wiggling your brain a little and working up a security program especially suited to him, you've saved yourself a lot of trouble by advising the savings bank but helped your man not at all.

The Purposes of these Recommendations

It was about this process of reasoning that led to the introduction of this Recommendations Page in the BYFI Department. Briefly, the page is designed: (1) To point out specific mediums through which small investors may obtain a higher-than-savings-bank income; (2) To emphasize the appeal of higher-grade securities, and thus minimize the risk, and (3) To give small investors something to do with their spare dollars as an offset to the lure of get-rich-quicksters.

The first recommendation offered here was the 5% collateral trust bond of the American Water Works & Electric Corporation. The issue was chosen for its investment merits, and the choice was enhanced by reason of its availability in $100 form. Incidentally, this issue in Baby Bond form enjoys a ready market. The second selection was American Tel. & Tel. capital stock. Here again, investment appeal is the stronger by reason of the ease with which the issue may be purchased by small investors. Through a distributing organization, maintained for the specific purpose, A. T. & T. may be purchased outright, in small lots, or on a partial payment basis on terms calculated to appeal to almost any pocketbook. The third suggestion was the preferred stock of the American Smelting & Refining Co. Those interested in our reasons for this selection are referred to page 356 of the last issue.

To the securities previously recommended, we add in this issue the preferred shares of the American Ice Co. This is a non-cumulative issue, offering a return at the recent price of 81 of 7.40% on the investment. Briefly, the company is one of the oldest and strongest in its field, enjoys a notably good management and, over the years, has steadily reduced its dependence upon weather conditions for its supplies. Its policy, in this respect, has been to increase its facilities for the manufacture of artificial ice. In early years, its results were somewhat sporadic, but now the trend is all toward stability.

BYFI'S RECOMMENDATIONS for SMALL INVESTORS

$100 Bonds

	Recent Price	Yield to Maturity
American Water Works & Elec. Corp. coll. tr. 5s	91¼	6.05%

Preferred Stocks

	Per Share Dividend Rate	Recent Price	Yield
American Smelting & Refining Co. ..	$7	100½	6.98%
American Ice	6	81	7.40

Common Stocks

	Per Share Dividend Rate	Recent Price	Yield
Amer. Telephone & Telegraph	$9	122½	7.35%

NOTE.—This table of recommendations, a new and practical feature of BYFI, will grow in size as opportunities develop. The effort will be made to keep the table up to date, and Income Builders are invited to keep in touch with it. Security is the primary aim in making the selections, but income-yield, marketability and other ordinary investment factors are also considered.

Sizing Up the Selections

An examination of the Recommendations Table, as it now stands, should serve to indicate how closely this page is being restricted to the purposes for which it was launched. Delete the word "American" which, because it appears in every company name in the list, deadens the appearance of variety, and you find that a considerable degree of diversification is contained even in this small list. Thus, Water Works & Electric, Smelting & Refining, Telephone & Telegraph, Ice. Examine the income-yield column and you will find that a sufficiently high income return is offered to appeal to the most exacting investor. Investigate market conditions and you will find that three of the issues enjoy a close, active market, with American Ice preferred somewhat less often dealt in. Dip into the records and you will see that the companies concerned are of leader quality, in every case managed by boards of high character and ability.

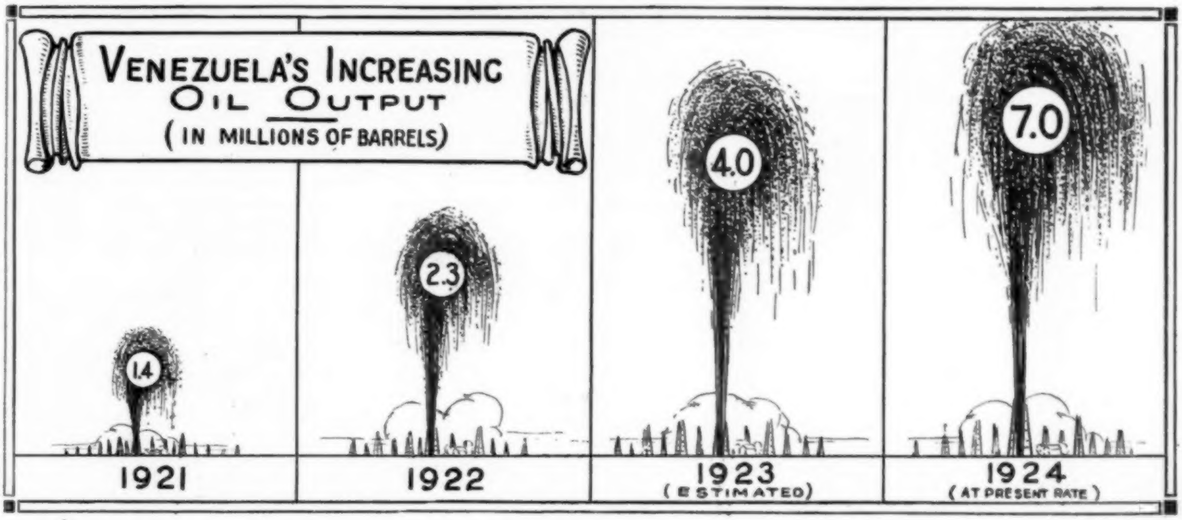
Thus, the recommendations, as offered, are obviously designed to attract the small investor to the higher-grade security field, show him how to get a substantial, and pretty safe income from that field and give him a list of securities to set alongside of the next wildcat circular that comes his way—such a list as is inherently as attractive as a high-grade list could very well be.

(Please turn to page 562)

Venezuela's Slowly Rising Oil Tide

Big Capital, Well Regulated, Developing the "World's Next Great Oil Producer"—Which Companies Will Be in the Best Position to Profit?

By JOHN R. MANSART



CAPPING the crown of South America and looking out upon the broad Atlantic, pathway to the great ports of the world, the republic of Venezuela is slowly but steadily pushing towards the position of a great oil-producing country. Oil shipments at the present time total only about 15,000 bbls. daily. Total production today is about 20,000 bbls. daily. An infinitesimal drop in the oil bucket. But potential shipping capacity is about 75,000 bbls. daily and the surface of the Venezuelan oil fields has hardly been nicked.

Oil developments in Venezuela are slow from choice and necessity. In the first place the world's oil output is fully abreast of consumption and a flood of South American oil would demoralize all oil marts. No one realizes this more accurately than the big oil companies. Large corporations are operating in the Venezuelan fields almost exclusively and the doctrine of conservation, therefore, has a chance to justify itself. There is no reckless drilling by hundreds of small operators such as characterized the Powell and southern California fields with results disastrous alike to producers and the industry as a whole. The big companies regard Venezuela as a country to be called upon to make up for a shortage of oil in this country when such a shortage develops. Hence they are devoting their efforts to proving up their properties and developing oil reserves rather than quick production. This is as it should be.

Venezuelan production from now on should show a steady increase which will be orderly and which the increasing consumptive demand of the world should be sufficient to absorb.

Lack of Shipping Facilities

One thing which operates against a large increase in output is lack of shipping facilities. This will be remedied in the near future. Practically all of the oil developments are in the Maracaibo basin and it is expected that the big companies will combine and construct pipe-lines to tidewater. The maximum distance from the farthest well to the coast is about 250 miles. An alternative would be for the Government to dredge the sandbar which cuts off deep-sea tankers from the Lake of Maracaibo. The Government is favorable to such a project but so far has shown no disposition to put up the necessary cash. It is reported that recently Venezuelan officials were in conference with New York bankers looking towards the financing of such a project but were unable to agree upon the terms. Perhaps the Government has concluded that, as the oil companies would derive the most benefit from the dredging, it is up to them to pay the bills. The shifting nature of the aforementioned sandbar would make the upkeep of a dredged channel a somewhat expensive matter and at this writing it looks as though the pipe-line method will be the solution of the problem.

It is estimated that investments in the Venezuelan oil fields now total between $120,000,000 and $130,000,000. Three districts are now producing and about 130 wells have been drilled. One important trend in the last six months has been the entry of other large corporations into the field. Among them are the Texas Co., Atlantic Refining and Standard of California.

The structure in the Maracaibo Basin is strikingly similar to that of the fields in the San Joachim Valley of California. Production comes from sands rather than from limestone as in Mexico. Wells are, therefore, smaller than the great Mexican gushers, but that they will last many years is undisputed.

The number of the oil-bearing sands vary in different parts of the territory and also the depths of wells. Oil has been struck at depths ranging from 150 to 2,500 feet. In some instances the oil sands are several hundreds of feet in

thickness. In the La Paz fields the drill went through five separate and distinct oil sands, the first at about 200 feet. The average gravity of Venezuela's oil compares favorably with the best producing fields. It ranges from 14° to 40° Baumé. In the state of Falcon east of Lake Maracaibo the El Mene field is producing about 3,000 bbls. daily of parafin base oil of between 30% and 40% gravity. About the middle of last month a well was brought in in the La Rosa field with a flush production of 40,000 bbls. per day. This was on the property of a Dutch-Shell subsidiary and has been pinched down to about 4,000 bbls. The oil is about 22% gravity with an asphalt base. This well is the offset to the La Rosa well completed in December, 1922, and which sanded up after flowing at the rate of over 100,000 bbls. per dav for nine days. It gives an idea of the potentiality of Venezuelan production and how important a part this country is destined to play in future oil industry. Owing to the difficulties of transportation, it costs between $100,000 and $150,000 per well to drill initially in Venezuela. After that, costs per well of average depth are only slightly more than in this country—that is, anywhere from $50,000 to $100,000, according to location, depth, etc. Native labor is good and cheap and common labor can be had in quantity for from $1 to $1.20 per man per day.

The laws governing the development of oil properties in Venezuela are exceptionally intelligent and fair. They might well be taken as models by Mexico and certain other countries who have yet to look upon foreign capital as something to be welcomed and encouraged rather than hamstrung and held up. Under the Venezuelan laws, all subsoil mineral rights (which includes oil) belong to the Government. These rights are leased to individuals and companies for a period of years on a royalty basis, the royalty being usually 10% of production developed. The royalty may be paid in cash or "kind," i. e., oil. Most companies pay the royalty in money, as the Venezuelan Government has little use for the oil. Owing to the justice of the oil laws and their fairness of administration, development work has gone along with remarkably little friction.

The only two refineries in operation in Venezuela are owned by the Dutch-Shell Co. One is situated on the island of Curacao and the other and smaller is located at a lake port near the Mene Grande field. Most of the crude and refined oil now being produced in Venezuela is consumed there or at nearby points. The New England Refining Co. has shipped some crude to its plant at Boston and the Sun Co. to Philadelphia. The Dutch-Shell ships a little oil to England, the Canary Islands and Porto Rico. However, as previously stated, the total oil shipped from Venezuela is very small as compared with the world's total production.

Companies with Best Prospects

Which of the Venezuelan oil companies have the most promising outlooks? That's a question which it is very difficult to answer and which must be, primarily, a matter of personal opinion. The writer is inclined to list the important companies in the following order:

Royal Dutch-Shell,
Maracaibo Oil Exploration,
Venezuelan Gulf Oil Co.,
British Controlled Oil Fields,
Standard Oil of Venezuela,
Lago Petroleum,
Creole Syndicate.

The Royal Dutch-Shell was one of the first large companies in the field and it is generally conceded that this company, through its operating subsidiaries, controls the most valuable concessions. In addition to being one of the oldest companies it is by far the largest and most active. Of the 20,000 bbls. produced daily at the present time Dutch-Shell companies produce about 17,000 bbls. The company is carrying on an active campaign in various parts of the Maracaibo area and has approximately 15 to 20 wells under the drill.

Maracaibo Oil Exploration was discussed in detail in our June 9 issue and there have been no outstanding developments of importance since that article was published.

The Venezuelan Gulf Oil Co., subsidiary of the Gulf Oil Corporation, is a very active organization. Its holdings of some 325,000 acres are scattered throughout the Maracaibo Basin and were acquired from the Maracaibo Oil Co. on a royalty basis, New England Oil Corporation, Ltd., Venezuelan Petroleum Co., Creole Syndicate and others. The company has a corps of engineers and geologists at work and is drilling two wells.

The British Controlled Oil Fields Co. is one of the older organizations, having been in corporate existence upwards of six years. Next to Dutch-Shell it is the only producer of importance, present output running at the rate of about 3,000 bbls. daily. Its Arraiz concession in 3,000 square miles in the Buchivacoa district, state of Falcon, runs for 50 years from 1907 and is divided into three areas. The eastern area is being developed, on a basis

(*Please turn to page* 567)

Descriptions of Leading Venezuelan Oil Companies

NAME	Year Incorporated	STOCK CAPITALIZATION: Preferred Authorized	Preferred Issued	Common Authorized	Common Issued	Shares Dealt In
Beacon Sun Co.*	1922	$3,150,000	....	"A"30.000shs† "B" 250	30,000shs† 250	Sun-Phila. Beacon-Boston
British Controlled Oil Fields	1918	$25,000,000	$25,000,000	$20,000,000	$20,000,000	London
Carib Syndicate	1921	....	....	$200,000	$124,725	N. Y. Curb
Creole Syndicate	1920	....	....	2,500,000shs	889,840shs	N. Y. Curb
Lago Petroleum	1923	....	....	4,000,000shs	2,300,000shs	N. Y. Curb
Maracaibo Oil Exploration	1919	....	....	400,000shs	250,000shs	N. Y. S. E.
Pantepec Petroleum Corporation	1924	"A"$1,000,000 "B"$2,000,000	$1,000,000 $2,000,000	100,000shs	100,000shs	N. Y. (Unlisted)
Venezuelan Petroleum Co.	1924	....	....	1,000,000shs	800,000shs	N. Y. (Unlisted)
General Asphalt	Venezuelan properties turned over to Caribbean Petroleum and Colon Dev. Co. (Royal Dutch-Shell Group) for cash and royalty consideration)					N. Y. S. E.
New England Oil Corp., Ltd.	Subsidiary of New England Oil Refining Co.					N. Y. S. E.
Orinoco Oil Co.	Subsidiary of Pure Oil Co., whose stock is traded in N. Y. S. E.					
Royal Dutch-Shell Group	Owns Colon Development Co., Venezuelan Oil Concessions, Ltd., and Caribbean Petroleum Co.					N. Y. S. E.
Standard Oil Co. of Venezuela	Operating subsidiary of S. O. New Jersey					N. Y. S. E.
Texas Co.	Engaged in extensive surveys and has acquired six concessions totaling 225,000 acres					N. Y. S. E.
Venezuelan Gulf Oil Co.	Subsidiary of Gulf Oil Corporation					N. Y. Curb

* Producing subsidiary of Sun Oil Co. of Philadelphia and Beacon Oil Co. of Boston.
† Beacon Oil Co. and Sun Oil Co. each owns 15,000 shares.

The Crisis in Middle States Oil

New Management Must Effect Improvements if Receivership Is to Be Avoided—Grossly Overcapitalized

MIDDLE STATES OIL CORPORATION is on probation, so to speak. Federal Judge John C. Knox recently refused the plea for receivership advanced by a minority stockholder but gave the company 30 days in which to show improvement in its management and enjoined Middle States from selling, pledging or removing any of the company's assets from the District of New York. The court stated that the order did not prejudice the petitioner's rights to bring a later action and intimated that if improvement is not shown in the company's affairs the court might appoint a receiver.

The story of Middle States Oil is the story of hopes unfulfilled. Call it bad judgment, bad management or bad luck, whichever you please; the fact remains that from what appeared to be a forward-looking and successful concern the company has gone down hill rapidly to a point where disintegration threatens. **Its decline is another testimonial to the fact that the producing oil "game,"** ***per se,*** **is one of the most speculative lines of human endeavor. Success depends not only upon expert and conservative management, large financial backing and wide diversification of properties but on a moderate share, at least, of good fortune. With the last named factor lacking, even the best of management and the amplest of financial resources is bound to fail.** That is why most of the big oil companies prefer to let the promoter and the venturesome do the wild-catting and are willing to pay heavy prices for proven production. Expensive as that plan may seem it is by far the cheapest in the long run.

Middle States' acquisition of the control of the Southern States Oil Co. proved to be the straw which nearly broke the camel's back. The story of that transaction is the story of Wall Street at its darkest. It is the tale of optimism unwarranted and faith betrayed, of double dealing and deceit, with the company paying the ultimate price. Not long afterwards C. N. Haskell, chairman of the board, who had guided the company's affairs since incorporation, resigned, broken in health and, if report may be credited, with only a tithe of what had once been a considerable fortune.

Briefly, the acquisition of 372,821 shares of Southern States Oil Co. cost Middle States approximately $5,400,000. In payment for this stock Middle States was obliged to issue twenty serial 7% notes maturing at the rate of one twentieth every three months beginning May 1, last. On the present market of around 2 a share for Southern Oil, Middle States has a book loss on this transaction of around $3,500,000.

According to the latest figures Middle States has cash on hand of about $380,000 and receivables of about $198,000. Accounts and notes payable total approximately $1,400,000, payments due on the Wyoming-Montana Railroad aggregate $639,569 and on the Louisiana Railroad $197,665. In addition the company has a funded debt of approximately $10,400,000, which includes the notes issued to pay for the Southern States Oil stock. It is difficult to see how the company can continue for very long without financing and the logical direction for it to turn for new money is to its stockholders.

The Decline in Middle States Oil

	High	*Low*	*Average*
*1919	71¾	32	51⅞
1920	71¾	10¼	41
1921	16½	10	13¼
1922	16	11	13½
1923	12¼	3½	7⅞
1924	6⅞	1⅝	4¼

* Listed on Stock Exchange Oct. 9. Initial sale 32.

What Happened

The investor is entitled to know what has happened to Middle States to bring its stock down from a high of 71¾ to a low of 1⅝ in less than three years. Expressed in few words the gist of the matter is this: Middle States has steadily increased its capital structure without correspondingly increasing the value of its assets and hence its earning power. The following tabulation shows this plainly:

	Outstanding stock (Dec. 31)	Net Income	Earned per share
1919	$2,250,000	$1,078,398	$4.80
1920	10,000,000	7,633,730	7.66
1921	14,750,000	5,925,315	4.07
1922	23,917,000	6,689,383	2.80
1923*	29,783,770	....	....

* As of June 30, 1923.

Middle States has not yet reported for 1923, but statements for the first three quarters of last year show a net income of approximately $3,641,000, equivalent to about $1.22 per share on the outstanding stock. The last quarter of 1923, however, was a period of extreme depression in the oil industry, and that Middle States' showing for the year as a whole must have been very unsatisfactory is evidenced by the passing of the dividend on October 1, last.

Moreover, the company's reported net earnings mean little in view of the fact that no charges are made for depreciation and depletion which, as every oil man knows, are vital items in connection with oil-producing companies. Phillips Petroleum, for instance, last year charged for depreciation, depletion and development approximately $7,800,000 from an operating revenue of $12,500,000, round figures, or approximately 62%.

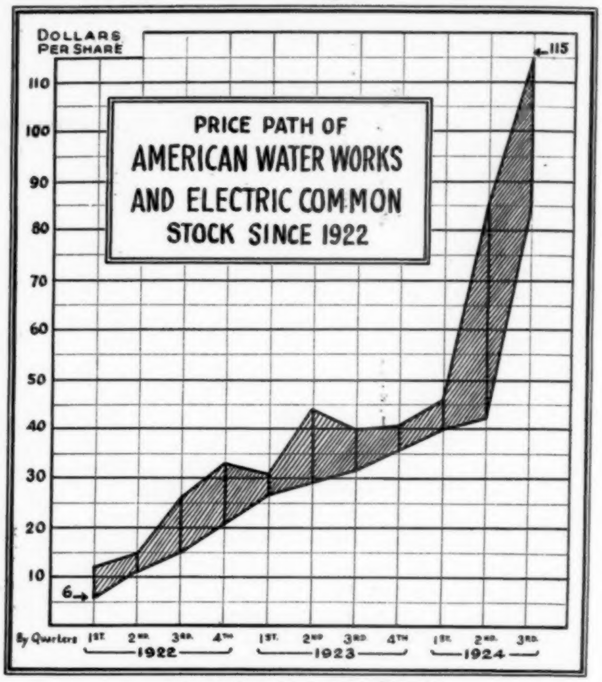
The foregoing tabulation shows that Middle States on June 30, 1923, had approximately 13 times the amount of stock outstanding as of December 31, 1919. Only an earning power of tremendous growth would have warranted such an increase in the capital structure. This extraordinary increase in capitalization was for the purpose of acquiring properties, stock interests in other companies and to pay stock dividends. It appears that Middle States must have paid some very fancy prices for some of its properties or else they proved to be worth very much less than as rated at the time of their purchase.

C. N. Haskell has retired from the management of Middle States' affairs and four new directors have been elected to the company's board including former Public Service Commissioner W. R. Wilcox. No statement has been made as to what steps will be taken to rehabilitate the company's affairs and until such is forthcoming or until improved results are shown, the outlook for the company must be regarded as decidedly uncertain. **As it stands Middle States appears to be grossly overcapitalized. That at least a scaling down of its capital structure should be accomplished is a statement which cannot reasonably be questioned. Until the trend of the company's affairs is more clearly defined than at present, the stock must be regarded as being distinctly a speculation, with more of the hazards than such a classification usually indicates.**

Public Utilities

What's Behind the Upswing in the Public Utilities?

Some of the Factors Contributing to the Rise — Are All the Advances Justified?



AN AMAZING ADVANCE!

An advance of 550% in less than 3 years, made all the more startling by the fact that Amer. Water Works has yet to pay its first dividend on this issue

WITHIN the last two years, the market price of American Water Works & Electric common stock has risen by leaps and bounds from an extreme low of $6 per share to an extreme high of $115 per share. Today this issue is quoted around $100. In other words, the market value of the entire junior stock issue of the American Water Works company is something like $10,000,000 today in contrast with a valuation of only $600,000 accorded it two years ago!

At first blush, this may appear to be an extreme example of the upswings that have occurred in the public utility market since 1922. Further investigation, however, will show that, while the American Water Works case may have been the outstanding sensation, there have still been numerous other advances closely comparable with it. Thus, the market price of the common stock of the Lehigh Power Securities Corporation, during the same period of time, advanced from a low of $15 per share to recent levels around $80; the common stock of the General Gas & Electric Co. is today quoted over fifty times its level of three years ago; and several other issues, including the ones listed in the accompanying table, scored similar advances.

What have been the chief causes back of these sensational advances in public utility common stocks? Have the advances been fully warranted by these causes? Are the common stocks which have moved up so rapidly still attractive for purchase? So far as it is possible to answer these questions in a brief review, that will be the purpose of this article.

Conditions Have Improved

It may be said at the outset that the greater part of the upswing recorded in public utility securities has been fully justified by conditions in the utility world. In large measure, the upswing merely represented a readjustment of stock prices to conform with the larger earnings and better outlook of the companies concerned. It marked the end of a period of high commodity prices which had played havoc with operating costs and discounted a new era of reduced costs and improved efficiency.

At the same time, it is difficult to believe that the improvement in conditions has gone far enough to wholly warrant the phenomenal price advances recorded.

If the industrial improvement *had* been sufficient to warrant these upswings, it is certain that the better-established companies would have been the first to feel the effects—that they would have profited most substantially from it—that their securities would have reflected the improvement as strongly as did the securities of lesser-known organizations. But what do we find?

We find, first, that the common stocks of the strongest companies, entitled to the highest ratings, have shared in the upswing to only a moderate extent, if at all. While the speculative issues have been doubling and trebling in prices, these highest-grade investment issues have moved up, on the whole, only comparatively slightly.

Secondly, we find nothing in the earnings reports of the stronger companies to indicate any phenomenal industrial improvement. From the reports made public covering operations for the first four and five months, it is apparent that earnings for the current year will, in most cases, be higher than those reported for 1923; the average increase, however, for the power and light as well as gas companies will approximate 14%; and the greater part of the increase has been in the first-grade companies.

For example, it is estimated that the Consolidated Gas Co.'s increase in the current year will be in the neighborhood of 15%—in other words, that earnings available for the common stock will approximate 31.5 millions against 27.6 millions in 1923. Contrast this with the reports made public by the American Water Works & Electric Co. for the first 4-months' operations which indicate that this company will do well to show a total net this year of 2.7 millions against 2.4 millions last.

Evidently, we must look beyond industrial improvement and better earnings results in order to explain the amazing advances in American Water Works common, and other similarly speculative issues.

Three Other Factors

Aside from increased earning power, there are three other factors which may have contributed to the advances recorded in speculative utility issues, viz., extended short covering, pool operations and purchases made for the purpose of securing control. It is interesting to consider each of these factors in connection with the American Water Works Co., and also in respect to their broader application to the speculative utility field as a whole.

That American Water Works' amazing rise was due to short-covering was

first suggested when the big movement in this issue got under way in the late spring. It was rumored that a "large short interest" had been caught and was being unmercifully squeezed. How much truth this rumor contained may be gleaned from the results of an inquiry made by the writer in which it developed that the borrowing demand for the stock, in the midst of the advance, was negligible, while previous to the rise the total volume of sales in this issue had been unusually small.

That a strong pool has been active in American Water Works, and may have contributed largely to its more recent advance, seems more credible. Pool operations are generally centered upon securities which have a peculiar appeal; nevertheless, the known earning power of American Water Works may, in this instance, have been sufficient to attract pool operations. Readers of THE MAGAZINE OF WALL STREET will remember that the appeal of American Water Works was said to be very strong along about April 26th, last, when it was pointed out that the then existing price of 47 had not yet fully discounted the earning power of the company and that higher prices might be expected. Manifestly, a security that could show annual earnings available of $13.70 per share (the 1923 figure) was worth considerably more than $50 per share, whether or not it was paying dividends.

Seeking Control

Along with the certainty of improved indusrial conditions to account for its rise, and the probability of pool operations in the stock, the third possible factor in its advance was concerted buying for the purpose of securing control.

That attempts actually have been made to secure control of the American Water Works & Electric Co. through purchase in the open market is, of course, not definitely known. On the other hand, this organization is of a sort possessing an undoubted appeal, and it is readily imaginable that control of it would be considered extremely desirable by interested parties. The American Water Works & Electric Co. is a holding company owning shares of stock and other securities in water supply companies, electric power companies, light, street railway and other corporations operating in more than fifteen states of the Union. It controls the West Penn Power Co. which is, in turn, a holding company.

It is thus apparent that, while buying for the purpose of securing control, has yet to be proven in the case of American Water Works, such buying may actually have taken place.

Amalgamations Among the Utilities

With many of the other utility common stocks which have been the objects of such active buying in recent months, the factors mentioned above in the case of American Water Works have probably been also operative, in lesser or greater degree. The factor of "control buying," incidentally, is known to have been largely instrumental in the advances in not a few cases. Thus, financial amalgamations of several different organizations has actually taken place within the last few months, accompanied by stock advances closely paralleling that of American Water Works common. For example, the Colorado Power Co. has been lately taken over by the Public Service Co. of Colorado; the American Electric Power Co. has been acquired by the Appalachian Power Co. and the American Gas & Electric Co.; Appalachian Power is said to contemplate further expansion in the acquisition of Virginian Power; and Continental Gas & Electric is said to be seeking control of the Columbus Railway, Light & Power Co.

The Outlook for Utility Stocks

It stands to reason, considering the wide price advances recorded in the public utility field in recent months, that the investor should exercise peculiar caution and discrimination in purchases made at this time. He should not permit himself to be caught up in the whirl of enthusiasm for speculative public issues; on the contrary, his tendency might well be toward extreme conservatism.

So far as public utility bonds are concerned, the investor will find that many of these issues are selling on a lower yield basis today than at any time for a number of years past. Some of these, in fact, are selling on nearly as low a basis as the highest-grade railroad issues. Under the circumstances, issues in this class are not to be recommended at the present time, unless the investor wishes safety at whatever cost to the future market value of his principal. Bonds in this high-grade class are governed, very largely, by money market conditions and are likely to experience price declines as soon as the demand for funds from commercial sources leads to a strengthening of time-money rates.

Among public utility preferred stocks some opportunities will be found which cannot be ignored. Many of the better-grade issues in this group still yield better than 6½%, which is somewhat out of proportion to the high degree of safety obtainable, and there is evidently little, if anything, to be gained from waiting for a possible reaction in this group, despite the comparative high prices now prevailing.

Specific cases may be pointed out among the utility preferred stocks which offer attractive opportunities by comparison with the common stocks in this field. Thus, the common stock of the Niagara Falls Power Co. is now quoted on a 4.50% basis, with no perceptible likelihood of a dividend increase, whereas this company's preferred stock is selling today on a basis to yield 6.50%.

As the tenor of this article indicates, the investor might well exercise special restraint in purchasing public utility common stocks under present conditions. Only those having real investment merit, offering a reasonable yield and having some prospects of a dividend increase, seem at all worthy of consideration at this time. In this class may be mentioned the securities listed in the accompanying table under the title "Investment Issues."

An Interesting Comparison

Showing the Far Greater Advance Scored by Speculative Utilities as Compared with Investment Issues.

	Price Range of Common Stock							
	1922		1923		1924			Per cent increase in mkt. price over 1923 High
Speculative Favorites	L.	H.	L.	H.	L.	H.	Recent Price	
American Power & Light	77	144	145	177	202	288	289	64%
American Water Works & Electric	6	33	27	44	40	115	100	127%
Commonwealth Power Corp.	20	32	25	39	50	100	92	135%
Lehigh Power Securities	15	20	17	39	33	82	80	166%
Investment Issues								
Brooklyn Edison	100	124	103	128	107	116	114	0%
Detroit Edison	100	118	100	111	102	108	105	0%
Consolidated Gas	57	72	56	68	60	71	70	3%
Philadelphia Company	31	47	41	49	42	53	51	4%

Phila. & Reading Coal & Iron — *Glen Alden Coal Co.*

Testing the Value of the Two Hard Coal Leaders

Can Philadelphia & Reading Coal Duplicate Glen Alden's Sensational Rise?

By HORACE P. ALLEMAN

NOTE: This article supplements an article on the hard-coal stocks which appeared in our May 10th issue. Several points in the latter were thought to require further elaboration by Mr. Alleman, who is an authority on the subject, and we take this opportunity of presenting his more complete analysis.

GLEN ALDEN COAL CO. is one of the lowest cost producers and highest price realizers per ton of coal mined among the anthracite coal companies. The Coal Commission's report shows Glen Alden's margin of profit per ton on all its coal mined of $1.48; Lehigh Valley Coal Company's recent report shows $0.69 per ton; while the recent report of the Phila. & Reading Coal & Iron Company $0.36. Comparatively this is a splendid showing for Glen Alden and is, primarily, due to the natural conditions existing in the district in which their mines are located.

The statistical analysis and comparison of these companies in your May 10th issue of THE MAGAZINE OF WALL STREET did not consider their physical side and the conclusion that "the shares of the Phila. & Reading Coal & Iron Co. are, by far, the most attractive of the three" does not seem substantiated by the above figures. The following is submitted not as a criticism but as a supplement to what has been written and presents a phase of the mining industry of which very little seems to be generally known and still less understood.

Three Classes of Hard Coal

Anthracite coal is divided into three general districts and classifications in Pennsylvania. These districts are known as the *Wyoming*, the *Lehigh* and the *Schuylkill* and derive their names from the valley in which each is located. While the classifications are hard, medium and soft structure and apply to the districts noted above in their order of precedence, producing costs vary greatly in these different districts according to the topographic and geologic conditions existing there and no one can change these physical conditions.

Glen Alden's mines are located under the wide and beautiful valley of Wyoming where the coal veins, or beds of coal, lie almost horizontal, or flat, and relatively near the surface, and the problem of removing the coal is comparatively easy and the cost low. In this district is found the hard structure coal which, on account of its "hardness" and the ease with which it is mined, shows very little breakage and fine coal, the proportion of buckwheat and smaller sizes being only about 20 per cent.

The Phila. & Reading Coal & Iron Company's mines are located under the Schuylkill Valley where the coal veins, or beds of coal, pitch steeply and in some cases are almost end on end. This angular position of these beds of coal, naturally, requires greater depth for their removal and are also faulty, increasing the difficulty and expense of mining. Where these beds of coal pitch to the extent they do in this district, it necessitates knocking down the coal before it can be worked out. This method of mining is very dangerous, difficult and costly. The friability of this soft structure coal, naturally, increases the proportion of breakage and fine coal, while this method of removing it adds to the already large proportion, which will show 40% of buckwheat and smaller sizes from this district.

In Controlling Costs

The importance of having a small production of buckwheat and smaller sizes can hardly be overestimated in controlling production costs. The cost of mining represents the average cost of the total output of all the sizes of anthracite coal. It is impossible to separate the cost of one size from another. Therefore, the production cost of a ton of coal is the same for any size produced, while the average price realized per ton for the sizes including buckwheat and on down is less than a third of what is secured for the prepared sizes. These small sizes are always marketed at a loss. They can only be sold in competition with bituminous coal or their value must be lost entirely. In other lines of business production costs are controlled largely by regulation from within the company. In the mining of coal production costs are established for the company by the physical conditions existing there and over which they have no control.

From the above it will be noted that the Phila. & Reading Coal & Iron Co. produce twice the amount of Buckwheat and smaller sizes produced by Glen Alden. To visualize this by figures will present a clearer understanding of its importance. This comparison is based on 100 tons of coal mined in each district:

Glen Alden

80 tons of prepared sizes @........	$8.45	$676.00	
20 tons of Buck and smaller sizes at average price of	2.50	50.00	$726.00

Philadelphia & Reading Coal & Iron Co.

60 tons of prepared sizes @........	$8.85	$531.00	
40 tons of Buck and smaller sizes at average price of	2.50	100.00	$631.00
Advantage of Glen Alden over P. & R. C. & I. Co. per 100 tons...			$97.00

From this comparison of the sizing of coal only, Glen Alden has an advantage

of $0.97 over the Phila. & Reading Coal and Iron Co. on every ton of coal mined on an equal production basis.

An evident bullish point for the future of Glen Alden might be cited here. By referring to the above comparison, it will be noted that Glen Alden's Circular price for the prepared sizes is $0.40 per ton less than the circular price of the Phila. & Reading Coal & Iron Co. Comparatively the prices of Glen Alden should be higher than those of the Phila. & Reading Coal & Iron Co. Glen Alden, however, is evidently satisfied with their present prices but the future prospect looks bright for this company along that line.

However, another angle from which to view this matter is that, on account of low producing costs, Glen Alden can considerably under-sell the Phila. & Reading Coal & Iron Co. in a dull market for coal, such as we are now experiencing, and still show greater profit.

There were nine Railroad Coal Companies (including those segregated) and about 85 Independent Coal Companies operating in these districts. The Railroad Coal Companies were satisfied to make their profit on hauling the coal and generally offered their coal about $0.75 per ton less than the Independents who had to make their profit on the coal and charged accordingly. All these segregated coal companies now stand in the position of an Independent and there is no reason why they should not receive the same price for their coal as the other Independent Coal Companies.

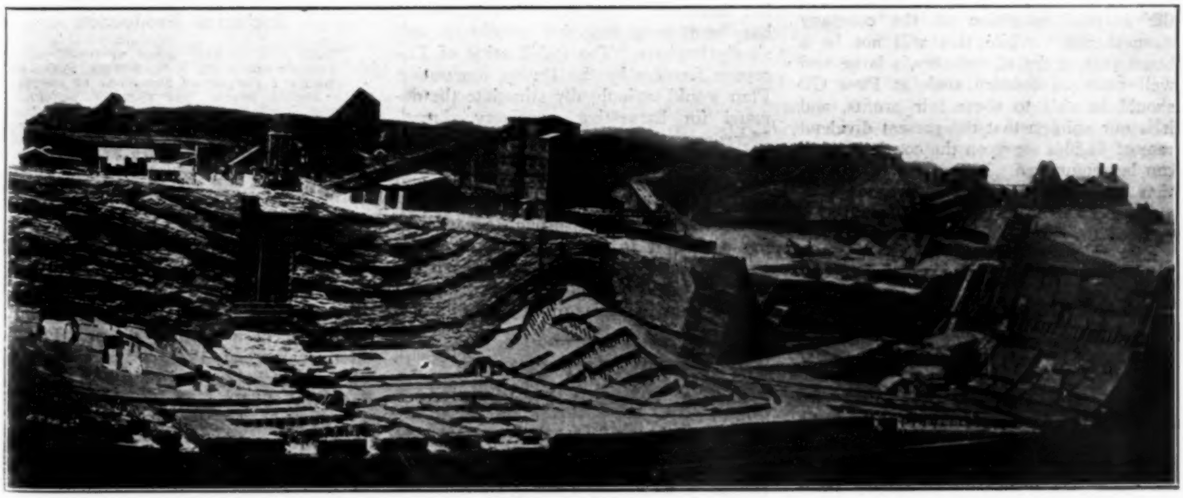
Some of these segregated coal companies are advancing their prices more rapidly than others but it is only a question of time until these coals will be quoted at what they are worth comparatively. The coal from the Wyoming District will, usually, sell about $0.25 per ton at mines higher than the coal from the Schuylkill district among these Independents. The present circular will suffice to show this differential now:

	Wyoming District	*Schuylkill District*	
Egg	$9.50	$9.15	gross ton at mines
Stove	9.50	9.50	
Chestnut	9.50	9.35	
Pea	6.00	5.85	
No. I Buckwheat	3.00	2.80	

There is also a differential of about $0.25 per ton in the freight rate existing between these two districts in favor of the Schuylkill district in certain sections of Pennsylvania. This would make the delivered price of the Wyoming coal about $0.50 per ton higher than the Schuylkill coal at these points. The Wyoming coal is more than worth this difference in both satisfaction and service. This hard structure coal will hold heat longer and will not burn away as rapidly as the soft structure coal and will prove more economical in the end. The hard structure coal also has less tendency to clinker, with a smaller proportion of ash and is a much cleaner coal to handle. The Schuylkill coal will appear larger on the pile but upon picking up a piece of this coal it will show a flat fracture and does not have the "body," or depth, that is a feature of the blocky Wyoming coal which is of angular fracture. Any one who is familiar with the characteristics of the coals in these two districts will unhesitatingly select the Wyoming coal at the higher price, when opportunity offers, knowing that they have made an economical purchase. I have cited some of these characteristics to convince the skeptical that "coal is not coal" but that value is recognized and paid for proportionately in coal as it is in any other commodity.

Mining engineers have estimated the life of these companies, based on their present rate of production, at 60 years for Glen Alden and 200 years for the Philadelphia & Reading Coal & Iron Co. This vast potential coal acreage of the Phila. & Reading Coal & Iron Co. holds speculative possibilities for the future but my interest is with known productive costs at the present time and am willing to let the future to posterity. A theoretical solution for increasing profits for the Phila. & Reading Coal & Iron Co. would seem to be increased production, but in practice this leads to an over-production which would act as a boomerang in either forcing prices lower to the point where a market was found or compel the storage of coal. Coal will generally stand storage but it is not improved by it while the extra cost of storage and handling and the breakage would only add to the present cost without any assurance that the coal would eventually be sold for higher prices. The oil situation for some time past has presented a glaring example of what over-production will do.

It is not the intent or purpose of this article to disparage the stock of the Phila. & Reading Coal & Iron Co. On the contrary, I am in full accord with the opinion expressed by THE MAGAZINE OF WALL STREET that this stock will sell higher. What I have written has been entirely comparative and was incited by the intimation that the Phila. & Reading Coal & Iron Co. would prove a second Glen Alden and duplicate that stock's sensational meteoric market flight, the occurrence of which would surprise me more than to see Glen Alden continue its market advance after a breathing spell.



COMPOSITE MODEL SHOWING FORMATIONS OF ANTHRACITE COAL UNDER THE SEVERAL CONDITIONS OF ITS OCCURRENCE

At the extreme left is represented the Wyoming, or northern field. Note the comparatively flat position of these beds of coal. The center represents the Lehigh or central field. There is a greater slope to these beds than in the case of the Wyoming field. In the extreme right is pictured the Schuylkill or southern field. There are sharply pitching beds of coal in an almost upright position. The model, reproduced from the Pennsylvania Exhibit, Louisiana Purchase Exposition of 1904, also shows types of mining plants, methods of cutting and preparing coal, haulage methods and methods of draining, ventilating and flushing with culm

SERVICE SECTION

ANSWERS TO INQUIRIES

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PURE OIL

Outlook for Dividends

Having noticed the recent decline in the stock of Sinclair Consolidated, I have felt somewhat nervous over my holdings of Pure Oil Co. common. It appears now that we are not going to have an oil boom this year, and I would like to have your opinion whether, under the circumstances, the dividend on Pure Oil stock is fairly safe.—M. G., Oklahoma City, Okla.

Pure Oil Co. for the year ended March 31st, 1924, showed earnings equivalent to $3.56 a share on the common stock after liberal deductions for depreciation and depletion. In view of the unfavorable circumstances surrounding the oil industry during the last six months of 1923, this can be regarded as a satisfactory showing. As of March 31st, 1924, the company reported a working capital of $29 millions, but in view of the large inventories, was obliged to borrow from the banks to the extent of 7.3 millions. However, these inventories will be materially reduced during the Summer months, and the financial condition of the company strengthened. While this will not be a boom year in the oil industry, a large and well managed concern such as Pure Oil should be able to show fair profits, and it is our opinion that the present dividend rate of $1.50 a share on the common stock can be maintained. If you are in a position to assume a certain degree of risk, we see no reason why you should dispose of the stock.

WILLYS OVERLAND BONDS

Good Investment Opportunity

How do you regard Willys Overland 6½% bonds? At present price of 98 they appear cheap to me.—J. C. R., Flint, Mich.

The Willys Overland 6½s, 1933, are secured by a first mortgage on all of the company's real estate, buildings, machinery and equipment as well as by pledge of all stocks owned in subsidiary companies. Earnings in the last two years have increased to the point where they not only far exceed the interest requirements on this issue but entitle the bonds to a high-grade rating. In 1923, for example, the Willys Overland Company showed a net income of approximately $13 million as against the interest requirements on these bonds of about $650,000 and an annual sinking fund of $1 million. They are redeemable at 103 on or before September 1st, 1926; at 102 thereafter or before September, 1929; at 101 thereafter or before September 1st, 1932, and thereafter at 100½. These bonds offer an attractive investment opportunity.

J. I. CASE THRESHING MACHINE

Improvement in Industry Likely

Is there any hope you can hold forth to the holder of stocks in the J. I. Case Threshing Machine Co. purchased at very much higher levels? I have been told that there will be an increasing demand for harvesting machinery from Europe, and that I had better hold on to my stock. Any light you can throw on this situation I will be thankful for.—J. T. A., Passaic, N. J.

In our opinion you are justified in continuing to hold J. I. Case Threshing Machine stocks. The harvesting machinery industry has been in a three-year slump, but there are many signs that the worst has been seen, and that conditions will slowly improve. The stabilization of European finances by the Dawes Reparation Plan would undoubtedly stimulate the demand for harvesting machinery abroad. Moreover, the recent price advances in grain in this country are placing the farmer on a more prosperous footing and will increase his buying power. Although J. I. Case has passed through a very trying period, it is still in strong financial condition, and at the close of 1923 current assets were 20.6 millions as compared with current liabilities of only 5.9 millions.

KENNECOTT COPPER

A Low-Cost Producer

Will you be good enough to explain why Kennecott Copper stock over the past several months has advanced considerably, whereas other copper issues have done nothing or declined? I am holding some of the stock and am uncertain whether or not to take my profit. —H. G. G., Grand Rapids, Mich.

Kennecott Copper is the most important factor in the copper industry. It is the largest as well as one of the lowest cost producers, making its copper for considerably less than 9c. a pound. Kennecott Copper controls through stock ownership the Utah Copper Company, the Braden Copper Mines Company and Mother Lode Coalition Mines Company. These are all low-cost properties with extensive ore reserves. Kennecott is in very strong financial condition, and at the close of 1923 had cash and marketable securities on hand of over 12 million dollars. Including its interest in undistributed earnings of controlled companies, Kennecott earned its dividend of $3 nearly twice over in 1923 before deducting depreciation, and even in the first quarter of 1924, when the price of copper was lower, the dividend was earned with a margin to spare. Kennecott, therefore, may be regarded as a $3 stock under adverse conditions in the copper industry, and as a more liberal dividend payer when conditions are favorable. We consider the stock an attractive long-pull holding, and advise you to retain it.

SIMMS PETROLEUM

Increased Production

Would like to have some up-to-the-minute information in regard to Simms Petroleum. Originally I purchased the stock at considerably higher prices, but through purchasing additional shares at lower levels my losses have been cut down. The question I would like to have satisfactorily answered is whether the outlook for the industry as a whole and this company in particular warrants retaining the stock for still better prices.—R. F. R., Spring Lake, N. J.

Simms Petroleum has greatly improved its status in the past year. The company was successful in bringing in production in the Mexia and Smackover fields, and this has resulted in a very substantial improvement in earning power. For the first quarter of 1924 earnings after all charges, including cost of productive drilling, was $1.19 a share on the 667,272 shares of stock outstanding. On May 31st the company owed nothing to banks, and had holdings of cash and Government securities in excess of 1.8 million, which compares with cash of only $361,000 and bank loans of $300,000 on December 31st, 1923. The recent price cut in crude oil has, of course, somewhat reduced the earning power of the company, but despite this fact Simms should be able to make a very good report for the full year. While the stock is decidedly speculative,

LOW-PRICED RAILS

Are They Attractive?

It appears to me that the most attractive group of stocks to speculate in at the present time are the low-priced rails, and I am considering the purchase of some of these issues. Many of these stocks have had so sharp an advance that there is danger of purchasing an issue that has in large part completed its upward movement. At the same time I feel that there are still opportunities in the low-priced rails, and will be glad to have your opinion as to which ones should be favored now.—J. H., Chicago, Ill.

We agree with you that there are still excellent speculative opportunities available in the low-priced rails. It is advisable, however, to purchase the stocks of companies that apparently have the most promising future, even though they have advanced several points. We are pleased to suggest the following list of five rails, and advise you to distribute your purchases among all five rather than to concentrate on any one, for by diversifying your holdings in this way the risk is lessened:

Missouri Pacific preferred
Seaboard Air Line preferred
St. Louis-San Francisco preferred
Western Pacific common
Erie first preferred

The outlook is sufficiently favorable, in our opinion, to warrant higher prices for all five of the above issues.

we consider it to have good possibilities, and if you can afford to assume a certain degree of risk, our advice is to retain it.

ALLIED CHEMICAL

A Strong Company

Some time ago I purchased Allied Chemical, as I was told it was a very good concern. However, the stock only pays $4, and as I have a large profit at the present market price, it seems to me to be selling time. What do you think?—S. G. H., Syracuse, N. Y.

In our opinion it is advisable for you to accept profits in Allied Chemical stock at present levels. While it is true that this is a very strong company, it is capitalized on a fairly liberal basis, and there are now 2,177,843 shares of no par value common stock outstanding. Earnings on the common stock have not been sufficiently large to warrant other than a moderate increase in the present dividend rate, and an increase to $5 or even $6 would appear to be largely discounted at present prices. In 1923, the company earned $7.53 a share on the stock as compared with $5.68 a share in 1922. An excellent switch, in our opinion, is Westinghouse Electric, paying $4 a share per annum and selling around 62.

AMERICAN SUGAR REFINING

Effect of Slump in Sugar

American Sugar Refining common stock has been held by me for investment purposes for many years. When dividends were passed I retained the stock, for I thought that this would only be a temporary matter, but it now seems as though it will be a long wait. I want your frank opinion as to the advisability of holding the stock for better times. I am willing to do without returns if the ultimate result will be satisfactory. But at the same time, if I can do better in another stock, I am perfectly willing to pocket the loss and make a switch.—D. A. B., Brockton, Mass.

While American Sugar Refining is in good financial condition, and there is substantial equity behind the common stock, earnings for some time have been unsatisfactory. The fluctuations in the price of sugar have operated to the disadvantage of the refining end of the company's business, so that earnings from this source have been negligible. In 1923, all of the company's income came from its outside investments. In the current year it is not anticipated that American Sugar will be able to do more than cover its preferred dividend requirements, and there is even some doubt as to whether the preferred dividend will be fully earned. Under these circumstances common stockholders will have a long wait before any return is received, and while the stock may ultimately work out satisfactorily, we believe that you would be better off in a dividend-paying issue that has good prospects. We suggest therefore a switch into White Motors, paying $4 a share per annum and selling around 56. Earning power and financial condition of White Motors apparently justify an increase in the dividend.

TRANSCONTINENTAL OIL

In New Field

My broker tells me that Transcontinental Oil is now a good speculation, for the company has developed production in a new field and is in good financial condition.—Would like to have your opinion.—H. J. J., Los Angeles, Cal.

Through the recent sale of additional stock at $4 a share, Transcontinental Oil derived sufficient funds to clear up all but 2 million dollars of its bonded indebtedness and practically all current liabilities. There is now sufficient liquid working capital to enable the company to properly develop its properties. It owns leases in the new Colorado oil field and a well was recently brought in flowing 5,000 bbls. of oil a day. Development work in other fields has also been productive of results. While the stock is highly speculative, it is not without possibilities at present levels.

(*Please turn to page* 562)

SINCLAIR CONSOLIDATED

Why Dividend Was Passed

A little more than a year ago I bought fifty shares of Sinclair at 41 but I am now advised that dividend was passed and I am uncertain whether to sell my stock for what it will bring and switch into something else, or hold it. This means, if I sell, a loss of more than $1,000 in addition to the loss of income.—L. R. G., Tacoma, Washington.

The passing of the Sinclair dividend was no surprise to those who closely followed the affairs of the company. In 1923 there was a deficit of 1.2 million before dividend payments and a deficit of 11.8 million after dividend payments. By paying dividends out of surplus the company naturally weakened its financial condition and at the close of 1923 there were bank loans of 11.6 millions, despite the fact that the company had sold 25 millions of bonds in that year. While the company was able to make fairly good profits in the first six months of this year, it is not yet free of bank loans and in view of the recent price cutting in oil and gasoline and the somewhat uncertain outlook as regards earnings for the balance of the year, directors decided to conserve the corporation's cash.

In the past few years Sinclair has greatly increased its capitalization. There is now a funded debt of 73.9 million, 19.2 millions 8% preferred stock and 4,491,892 shares of no par value common stock. The increase in capitalization has not been accompanied by a corresponding increase in earnings.

In our opinion there are better speculations than Sinclair common. As a holder, we would advise that you switch into International Combustion Engineering paying $2 per share per annum and selling around 26. This company manufactures fuel-saving devices of all kinds, and besides a large domestic business it is strongly entrenched in foreign fields. We believe the company's business will grow steadily and we consider the stock a good long-pull speculation.

When Are Margins Impaired?

What the Broker Must Do Before "Selling Out" a Customer—Some Cases

By LOUIS BOEHM

This is the fifth article in the series of interpretive discussions prepared for the Legal Department of this publication by Mr. Louis Boehm, of the New York Bar. The next article will appear in a later issue.

Subscribers to* THE MAGAZINE OF WALL STREET, *requiring legal advice on their investment problems are privileged to consult this Department. Questions not involving complicated research will be answered directly and others will be discussed from time to time in the space set aside for the purpose in the Magazine.

BEFORE a broker may sell securities for impairment of margin, he must first make a demand upon the customer to make good the required margin, and upon the failure of the customer to do so he must give the customer reasonable notice of the sale of his securities, including the time and place when they will be sold.

The broker in demanding additional margin should state the amount required by him. If, however, there has been an agreement by the customer to keep his margin good at a certain percentage of the value of the security, then it is unnecessary for the broker to specify the amount of additional margin required. The broker may at his option give notice of the sale either with the demand for margin, or after the failure of the customer to supply the additional margin.

What Notice of Sale Should Contain

The notice of sale should contain a statement of the day, hour and place, i.e., the New York Stock Exchange or other exchange, at which the securities will be offered for sale. If the securities cannot be sold at the precise time specified in the notice owing to the fact that there are no bids, the same must be sold as soon thereafter as is possible. **Many brokers do not comply with the foregoing rules and sell their customers' securities immediately upon the customers' failure to supply additional margin, and without notifying the customer of the time and place of sale. A sale under those conditions constitutes a conversion of the securities by the broker, and subjects him to an action by the customer for damages.**

The customer is entitled to *reasonable* notice of the time and place when his securities will be sold, on his default in supplying additional margin. The purpose of the notice is to give the customer a reasonable opportunity to supply the required margin. Whether the notice given to the customer is sufficient, depends upon the particular circumstances of each case. It depends upon whether or not the broker and the customer are located in the same city, whether the customer can readily be reached, the condition of the market, etc.

In one case a notice of a few hours may be sufficient, while in another, a notice of days may be insufficient. Whether or not the customer has been given a reasonable time in which to make good his margin is usually a question of fact which must be determined by a jury should a controversy arise in regard thereto; they must take into consideration all the circumstances of the case.

Purpose of the Law

To summarize, it is the purpose of the law to give to the customer a reasonable opportunity to protect his securities before they may be sold by the broker. If the broker, however, makes a demand for additional margin a reasonable time before he sells the securities, the actual notice of the time and place of sale may be quite short. If the customer informs his broker in response to a demand for additional margin that he is unable to furnish it, and if the condition of the market is such that the securities should be sold at once in order to protect the broker from loss, but little notice of the time and place of sale is required, although the preferable practice for the broker is to obtain a waiver from the customer of notice of sale. **A sale made by a broker without previous notice, which the customer does not repudiate within a reasonable time after receiving a statement thereof, will be deemed to have been ratified by the customer.**

As a general rule, the notice of sale should be given to the customer in person. It may, however, be served upon an agent of the customer if the agent has been authorized to receive it. Where the customer has left the city without leaving a forwarding address, and there is no agent authorized to receive the notice, it may be sent to his business address.

If the broker is unable to communicate with the customer in person after using reasonable efforts, notice should be sent to the customer's place of business, or to the address given by the customer to the broker for the mailing of notices. If the customer can show that through no fault on his part he did not actually receive notice, then the notice would be ineffectual. Where with the knowledge of the broker, securities belonging to a third person are deposited by the customer with the broker, then notice of the time of sale must be served upon the owner of the securities, as well as upon the customer.

The Broker's Liability

If the broker sells the securities because of insufficient margin without giving to the customer reasonable notice of the time and place of sale, the broker is liable to the customer for the damages sustained by him. The damage to be paid by the broker is the difference between the price for which the security was sold, and the highest price at which the security sells in the market within a reasonable time after notice of the sale is given to the customer. If the market price of the security within a reasonable time after notice of the sale does not go above the price for which the security has been sold, then the customer may recover from the broker the sale price, less his indebtedness to the broker.

What Is a "Reasonable Time"?

It has been held that a reasonable time after notice of sale is such time as will enable the customer to consult his lawyer with regard to his legal rights, to study the market quotations in order to determine at what price he should purchase, and also sufficient time to raise the money to buy the security. Anywhere from fifteen to sixty days has been held to be a reasonable time within which to make the repurchase, depending upon the circumstances of the particular case.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1923		1924		Last Sale July 23	Div'd $ Per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125¼	90¼	111¼	75	108½	91¾	106⅝	97⅛	106⅜	6
Do. Pfd	106¼	96	102⅛	75	95½	72	92½	86½	92	5
Atlantic Coast Line	148½	102½	126	79⅞	127	77	129	112	128	8
Baltimore & Ohio	122¼	90⅝	96	88¼	60¾	27⅝	62	52⅛	61¾	5
Do. Pfd	96	77¼	80	48¼	66¼	38½	59⅞	56¼	59⅞	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	150⅞	142¾	149¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	87⅜	67¾	86⅞	4
Ches. & Ohio Pfd	..	..	..	..	105⅝	96	108	99½	108	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	11¼	18⅛	11¼	16¼	..
Do. Pfd	181	130½	143	62½	76	20⅝	30¼	21¼	28	..
Chicago & Northwestern	198½	123	136⅞	85	105	45⅞	63⅛	49¼	62½	4
Chicago, R. I. & Pacific	..	..	45¾	16	50	19⅛	36½	21½	34⅞	..
Do. 7% Pfd	..	..	94¾	44	105	64	91	76⅛	89½	7
Do. 6% Pfd	..	..	80	35¼	93¾	54	79⅛	65⅜	78⅛	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	120½	104½	119¾	9
Delaware, Lack. & W	340	192½	242	160	260½	93	127⅞	110¾	126	6
Erie	61¼	33½	59½	18¾	22¾	7	33	20¾	32½	..
Do. 1st Pfd	49¾	26¼	54¾	15⅛	33	11⅛	39¾	28⅝	39½	..
Do. 2nd Pfd	39⅛	19½	45⅝	13⅛	27⅝	7⅞	38⅛	25⅛	37¼	..
Great Northern Pfd	157⅞	115½	134¾	79⅛	100⅝	50⅝	69⅜	53¾	68⅞	5
Illinois Central	162½	102¾	115	85¾	117½	80⅞	111¼	100¼	111	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	24⅛	17¾	23¼	..
Do. Pfd	75½	56	65½	40	59½	40	55	51¼	54½	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	72⅜	39½	48¾	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	99¾	87⅝	97⅞	6
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	15⅞	10½	15⅛	..
Do. Pfd	78¼	46	60	6½	*48¾	*2	45⅜	29¼	44¾	..
Mo. Pacific	*77½	*21¼	38½	19⅞	38⅞	8¼	20½	9¾	20	..
Do. Pfd	..	..	64⅞	37½	63¾	22¼	51⅜	29	50¼	..
N. Y. Central	147¾	90⅜	114¼	62½	107¼	64⅛	108⅞	99⅛	108	7
N. Y., Chicago & St. Louis	109¼	90	90¾	55	91½	23¼	101	72½	98	6
N. Y., N. H. & Hartford	174¼	65⅝	89	21½	40⅞	9⅝	29½	14⅛	28½	..
N. Y., Ont. & W	55⅜	25⅛	35	17	30½	14¼	22½	16	21	..
Norfolk & Western	119¼	84¼	147⅛	92⅜	125⅛	84¼	132½	102½	123⅜	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	67¼	47⅞	67½	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	46¾	42¼	45⅝	3
Pere Marquette	*36½	*15	38⅛	9½	47¼	12⅛	56¼	40½	55¾	4
Pitts. & W. Va	..	..	40⅜	17¾	94	21⅛	50½	38	49⅞	..
Reading	89⅝	59	115½	60⅛	106	60¾	79	51⅞	59⅞	4
Do. 1st Pfd	46¾	41⅛	46	34	61	32⅞	50½	34¼	34⅝	2
Do. 2nd Pfd	58¾	42	52	33¾	65½	33¼	56	33⅛	34½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¼	26⅝	19⅛	26	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	45⅜	33	43¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	95¾	85½	95	6
Southern Ry	34	18	36¾	12½	38⅝	24¾	67	38½	65⅝	5
Do. Pfd	86⅞	43	85⅛	42	72½	42	75⅛	66¾	74⅞	5
Texas Pacific	40½	10¼	29½	6½	70½	14	34½	19	33⅞	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	142	126⅝	141⅞	10
Do. Pfd	118½	79¾	86	69	80	61¼	75⅛	70	75¼	4
Wabash	*27⅞	*2	17½	7	14⅜	6	17⅜	10¾	15⅜	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	47¾	34	45	..
Do. Pfd. B	..	..	32⅞	18	25½	12⅛	32¼	22½	‡30	..
Western Maryland	*56	*40	23	9¼	17¼	8	12¾	8⅜	11	..
Western Pacific	..	..	25½	11	40	12	24⅛	14¾	23	..
Do. Pfd	..	..	64	35	78	51⅛	73⅞	58	71½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¾	6	13½	7½	12½	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	89½	73½	88½	6
Allied Chem.	..	..	..	..	91¾	34	78½	65	76⅞	4
Do. Pfd	..	..	..	..	115½	83	118¼	110	117¾	7
Allis-Chalmers	10	7⅝	49¼	6	59¾	26½	58¼	41⅝	56⅛	4
Do. Pfd	43	40	92	32½	104	67½	97	90	‡95½	7
Am. Agr. Chem	63⅜	33½	106	47¾	113¾	10⅛	17	7⅛	11⅛	..
Do. Pfd	105	90	103½	89⅛	103	28¼	49⅝	18¼	33⅓	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	36	41¼	4
Am. Bosch Mag	..	..	..	..	143⅞	22⅞	36⅞	22¼	29	..
Am. Can	47⅜	6⅞	68½	19¼	107⅝	21¾	122⅝	95⅞	118¼	6
Do. Pfd	129¼	98	114½	80	115	72	116	109	116	7
Am. Car & Fdy	76½	36½	98	40	201	84⅛	178	153½	173	12
Do. Pfd	124¾	107½	119½	100	126⅛	105¾	125	118¾	‡123	7
Am. Express	300	94¾	140½	77½	175	76	115	88	113	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	13⅝	7¼	8¾	..
Do. Pfd	51⅞	15⅛	94⅞	10	142⅜	29¾	65	50½	‡55½	..
Am. Ice	..	..	49	8⅞	122	37	96	86	91	7
Am. International	..	..	62¾	12	132¼	16	25½	17⅜	23¾	..
Am. Linseed	20	6⅞	47¾	20	95	13	22⅜	13¾	21	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	80⅝	70½	80¼	6
Do. Pfd	122	75	109	93	122¼	96½	120	116¼	‡119½	7
Am. Safety Razor	..	..	..	..	22	3½	7½	5⅞	‡6¼	50c
Am. Ship & Com	..	..	..	..	47½	4¾	15⅜	10⅜	13⅛	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	70	57½	69½	5
Do. Pfd	116¾	98¼	118⅛	97	109⅝	63¼	103¼	96	102½	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅛	33½	37	3
Do. Pfd	..	..	..	..	107	78	105	101¼	‡103½	7
Am. Sugar	136¾	99⅞	126½	89⅛	148⅜	47⅜	61¾	38⅝	44¾	..
Do. Pfd	133½	110	123½	106	119	67½	99⅞	79	88	7
Am. Sumatra Tob	..	..	145¾	15	120½	16	28½	6⅜	8½	..
Do. Pfd	..	..	103	75	105	82½	69	27½	‡30½	..
Am. Tel. & Tel	153⅜	101	134½	90⅜	128¾	92⅛	130⅞	121⅛	123⅛	9
Am. Tobacco	*530	200	256	123	314½	104⅛	157	136⅝	146	12
Do. B	..	..	..	..	210	100⅛	153	135¼	143	12
Am. Woolen	40⅜	15	60⅜	12	169½	55½	78⅞	62	72¼	7
Do. Pfd	107¾	74	102	72⅛	111⅞	88½	102⅝	96¾	101	7
Anaconda	54⅜	27⅛	105⅜	24¾	77⅞	30	41	28½	36	..
Associated Dry Goods	..	..	28	10	89	48	100½	79	96	5
Do. 1st Pfd	..	..	75	50½	89	49⅞	89½	83½	‡89½	6
Do. 2nd Pfd	..	..	49½	35	93½	38	97	89	97⅜	7
At. Gulf & W. I.	13	8	147¾	4½	192⅝	9¼	21⅛	10¾	20	..
Do. Pfd	32	10	74¾	9⅞	76½	6¾	27⅜	12¼	25	..
Baldwin Loco	60¾	36½	154½	26⅝	156¼	62¼	131	104⅜	117¼	7
Do. Pfd	107½	100¼	114	90	118	92	116	111	‡113	7
Bethlehem Steel B	*51⅜	*18¾	155⅝	50¾	112	41⅛	62⅛	41½	43¾	5
Do. 7% Pfd	80	47	186	68	108	87	97	89½	‡90½	7
Do. 8% Pfd	..	..	110¾	92½	116¾	90	110⅜	102	‡103	8

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1923 High	Low	1924 High	Low	Last Sale July 23	Div'd $ Per Share
Burns Bros. A	45	41	161½	80	147	76	112½	97½	109¼	10
Do. B	..	..	..	..	53	21½	27	19⅝	25¼	2
Calif. Packing	..	..	50	30	87½	46¼	87¼	80	84½	6
Calif. Petro.	72½	16	42⅝	8	71⅞	15¾	29¼	19½	22¾	1¼
Calif. Petro. Pfd	95½	45	81	29½	110½	63	107	95	95	7
Central Leather	51¾	16½	123	25⅞	116½	9⅛	17⅞	9⅞	13	..
Do. Pfd	111	80	117½	94⅞	114	28⅛	49	29¼	45½	..
Cerro de Pasco	..	..	55	25	67½	23	49¼	40¾	48⅜	..
Chandler Mot	..	..	109⅞	58	141¼	38¼	66½	42½	47⅝	6
Chile Copper	..	..	39¼	11¼	30⅛	7¼	31½	25⅝	30⅞	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	20½	15	19¼	..
Coca Cola	..	..	..	..	83⅜	18	77½	61	73¾	7
Colum. Gas & E.	..	..	54¼	14¼	114⅞	30¼	42⅝	33	41⅛	2.60
Consol. Cigar	..	..	..	..	80	13½	22⅛	11⅜	17½	..
Con. Gas	*165¾	*114½	*150½	*112½	*145¾	56¾	71½	60⅞	70¼	5
Corn Prod	26½	7⅛	50½	7	160½	46	37⅞	31½	35⅛	2
Do. Pfd	98½	61	113½	58⅛	122¾	96	120⅞	115⅛	‡119	7
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	71¼	48	53¾	4
Cuba Cane Sugar	..	..	76⅛	24⅞	59⅜	5⅜	18	11¼	13⅛	..
Cuban-Amer. Sugar	*58	*33	*273	*38	*605	10⅞	38⅞	28½	30⅝	3
Endicott-Johnson	..	..	..	..	150	44	67½	55⅞	62½	5
Do. Pfd	..	..	..	..	119	84	115	105½	‡108	7
Famous Players	..	..	..	..	123	40	82⅜	61	82	8
Do. Pfd	..	..	..	..	107⅜	66	97½	87⅞	‡95	8
Freeport Tex	..	..	70½	25¾	64⅜	9½	13⅞	8	10	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	23	46¾	31⅜	43¾	..
Gen'l Electric	188½	129¾	187¼	118	202¼	109½	250¼	193½	247⅛	†8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	16¼	12¾	14⅜	1.20
Do. 6% Pfd	..	..	99½	72¾	95	63	87	80	‡81	6
Do. 6% Deb	..	..	..	..	94¾	60	86⅞	80⅛	86¼	6
Do. 7% Deb	..	..	..	..	105	69	96⅞	95⅛	95½	7
Goodrich	86½	15½	80¼	19⅝	93⅜	17⅛	26¾	17	22	..
Do. Pfd	109¾	73⅜	116¾	79⅞	109½	62½	80	70¼	78	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	31½	26	30½	3
Houston Oil	25½	8¼	86	10	116½	40½	82½	61	71⅝	..
Hudson Motors	..	..	..	..	32⅜	19½	29¾	20½	26½	3
Hupp Motors	..	..	11⅜	2½	29½	4⅜	18	11⅛	13	1
Inspiration	21⅜	13⅞	74¾	14¼	68⅞	23¼	27⅝	22⅛	26⅜	..
Inter. Mer. Marine	9	2⅛	50⅝	⅜	67¾	4⅞	10½	6¼	9⅞	..
Do. Pfd	27⅝	12½	125⅝	8	128½	18½	39¼	26½	37¾	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅛	18⅜	11½	18	..
Inter. Paper	19¾	6⅛	75½	9½	91¾	27⅞	59	34½	55¼	..
Invincible Oil	..	..	..	..	47¼	5½	16⅞	10½	13	..
Kelly Springfield	..	..	85¼	36⅞	164	20½	35	9¾	15⅝	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	88	33	‡44	..
Kennecott	..	..	64¼	25	45	14⅝	44¾	34⅛	43¾	3
Lima Locomotive	..	..	..	..	74⅞	52	68¾	56	63⅜	4
Loews, Inc	..	..	..	..	38⅜	10	18	15⅛	16¾	2
Loft, Inc	..	..	..	..	28	6	8¼	5½	6⅜	..
Miami Copper	30¼	12¾	49¾	16⅛	32¾	14½	24⅛	20	23⅞	2
Nat'l Lead	91	42½	74⅝	44	148	63½	155⅜	123½	146½	8
N. Y. Air Brake	98	45	136	55⅞	145¾	26⅝	45	36⅛	43⅜	4
N. Y. Dock	40¼	8	27	9½	70¾	15⅛	37⅛	19	31⅞	..
North American	*87⅞	*60	*81	*38⅞	100⅛	17½	27¼	22	26¾	2
Do. Pfd	..	..	..	..	48½	31⅞	50¼	43⅞	50	3
Pacific Oil	..	..	..	..	69⅜	27½	58¼	45	48⅞	2
Pan. Amer. Pet	..	..	70¾	85	140¼	38⅛	61¼	44¼	57¾	4
Do. B	..	..	..	..	111⅜	34⅛	59½	41¼	56⅜	4
Philadelphia Co	59¾	37	48⅞	21½	50¼	26½	53½	42⅞	50⅝	4
Phillips Pet	..	..	..	..	69⅜	16	42½	31⅛	35¾	2
Pierce Arrow	..	..	68	25	99	6¼	12⅛	6⅛	10⅛	..
Do. Pfd	..	..	109	88	111	13⅛	30⅝	18⅛	28	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	48	63¾	56	58	4
Pressed Steel Car	56	18½	88¼	17⅞	113¾	42½	62	45½	52	4
Do. Pfd	112	88½	109⅛	69	106	80	90	82	82	7
Punta Aleg. Sug	..	..	51	29	120	24¾	67⅝	47¼	51¾	5
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	26⅜	20	22½	1½
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	122	106	121	8
Do. Pfd	113⅜	90¼	105½	75	121½	92⅛	119½	113	‡119½	7
Ray Cons. Cop	27⅝	7½	37	15	27½	9⅞	12¼	9	11¾	..
Replogle Steel	..	..	..	..	93½	8	15⅝	7¼	12⅝	..
Republic I. & S.	49½	15¾	96	18	145	40⅛	61⅞	42	47	..
Do. Pfd	111¾	64½	112⅜	72	106¾	74	95	82	‡87	7
Royal Dutch N. Y	..	..	86	56	123⅜	40½	59½	46⅛	51	3.46
Shell T. & T	..	..	..	..	90⅛	29⅛	41½	33	‡34⅜	..
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16	27⅛	15	17⅞	..
Stand. Oil N. J	*448	*322	*800	*355	*212	30⅞	42¼	33	36	1
Do. Pfd	..	..	..	..	118¼	100⅛	119	115¾	118¼	7
Stromberg Carb	..	..	45¼	21	118¼	22⅛	84⅞	54½	63	8
Studebaker	49½	15¾	195	20	151	37¾	38⅞	30½	37¾	4
Do. Pfd	98⅛	64½	110½	70	118¼	76	115	110	‡111½	7
Tenn. Cop. & Chem	..	..	21	11	17¼	6¼	9¾	6¼	7⅞	..
Texas Co	144	74½	243	112	57¾	29	45⅜	37¾	40½	3
Tex. Pac. C. & O	..	..	..	..	195	5½	15¼	8¼	9¾	..
Tobacco Prod	145	100	82⅜	25	115	45	70¾	53	63¼	6
Transcontl. Oil	..	..	..	..	62⅜	1⅛	6¼	3⅜	5	..
United Fruit	208½	126½	173	105	224⅞	95¾	205¼	182	‡204	10
U. S. Ind. Alco	57¼	24	171½	15	167	35⅛	83⅝	61⅛	71½	..
U. S. Rubber	59½	27	80½	44	143¾	30⅜	42⅞	22½	31	..
Do. Pfd	123½	98	115¼	91	119½	74	94¾	66½	81	8
U. S. Smelt. & R.	59	30⅜	81½	20	78⅛	18⅜	31	18½	29⅝	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	109	94¼	101¼	†5
Do. Pfd	131	102½	123	102	123½	104	123	118⅜	123	7
Utah Copper	67⅛	88	130	48½	97⅛	41⅛	79½	64	76¾	4
Vanadium	..	..	..	..	97	24¾	33½	19⅛	22½	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92¼	6¼	10⅜	¾	1⅞	..
Do. Pfd	129½	82	115⅜	80	115⅞	17	34¾	2½	5¾	..
Western Union	36¼	56	105½	53⅜	121¼	76	113	105	109⅝	7
Westinghouse Mfg	45	24¾	74⅞	32	67⅛	38⅞	65	55⅛	64⅛	4
White Motors	..	..	60	30	86	29¼	59⅜	50½	56	4
Willys Overland	*75	*50	*325	15	40¼	4⅛	14¼	6⅞	9	..
Wilson Co	..	..	84¼	42	104⅞	19	28	4⅛	9⅛	..
Woolworth	177⅞	76⅛	151	81⅛	290	100	120½	72½	114½	3

* Old stock. ‡ Bid price given where no sales made. † Not including extras.

ANSWERS TO INQUIRIES

(*Continued from page* 557)

"Y" OIL AND GAS

Why Stock Sells So Low

Acting on a tip, I purchased some Y Oil & Gas around 40c. The tip made good, as the stock shortly after doubled in value, but I was told to hold it for much higher prices, and still have it. Is there any prospect of its recovering from present low prices of around 5c.?—C. T., White Plains, N. Y.

"Y" Oil & Gas owns a one-quarter interest in a lease in the Burbank field, Okla., from which most of its revenue is derived. The company's other production is derived from scattered leases in Oklahoma which, however, do not yield a large production. Capitalization consists of 2,200,000 shares of a par value of $1. Balance sheet as of December 31st, 1923, showed cash on hand of $20,000 and accounts receivable and oil inventory totaling $42,000. Current liabilities were only $1,000. The earning power of the company is small, and not likely to increase, but as it is practically free of debt, the stock at present levels of 5c. is not without speculative possibilities, and you may ultimately be able to get a somewhat better price for it.

MAGMA COPPER

Present Earning Power

Now that Magma Copper Company has completed its improvement can you give me any idea of what the earning power of this company will be on the basis of 13c, 14c and 15c copper?—C. T. Z., Morristown, N. J.

In May Magma Copper produced 2.6 million pounds of copper, and in June 2.9 million. The company can at any time speed up its smelter to a production of around 4 million pounds monthly. However, we will take production at the rate of 3 million pounds per month as an average and cost of production at 8½ cents which was the company's cost for the months of May and June. On this basis with copper at 13 cents, profits before depletion would equal $4 a share, on 14 cent copper $5 a share and on 15 cent copper $6 a share.

B. Y. F. I.'S RECOMMENDATION PAGE

(*Continued from page* 548)

Some qualifying remarks are no doubt in order concerning the risk element accompanying these recommendations.

In the first place, the list is not danger-proof. As we have said many times before, no security list can be danger-proof. Therefore, those who cannot afford to take any risk whatever in their investment commitments, should ignore these recommendations and all other security recommendations. Their proper medium is the savings bank.

In the second place, it would probably not be justifiable to refer to all four of these recommendations as "highest-grade"

securities. In the case of both the preferred stocks, indeed, it would probably be more accurate, from a strictly investment point of view, to class them as "business men's investments." They are subject to sharp fluctuation and of course do not have the same strong claim upon the properties involved as an underlying mortgage would have. Hence, those not in a position to assume a business man's risk—which means a comparatively substantial risk—might better seek other avenues for their funds.

In short, these recommendations represent the securities which we, as a young man, with our life ahead of us, and a good earnings machine under our hat, would find attractive because they offered the highest income return consonant with a representative margin of safety. Beyond that, nothing is claimed for them.

SCHOOL FOR TRADERS & INVESTORS

(*Continued from page* 541)

therefore, he must wait, while gnashing his teeth over the fact that his violation of one important principle has forced him automatically to violate another, namely, "do not sell in weakness." Also, he was left unable to follow a third principle, "buy during weakness."

As the market advances, our trader observes evidence of increased strength and notes that prices were supported at a higher level at "C" and at "A," which is usually a bullish sign, at least temporarily. He sees stocks make a higher top at "D" and feels sure they are about to continue the advance that was arrested at "B." His average price has increased 4 points to 90 and his equity has increased $2,000, and now stands at $12,100. The market is very active. Our trader becomes excited. He mistakes "sucker psychology" for "market intuition" (if any such thing exists) and he forgets that common sense and sound principles are always good friends in times of stress. He itches to recoup his recent loss, throws caution to the winds and makes the colossal blunder of doubling-up, on his hunch that this time he will make a killing. He takes the chance, and buys another 500 shares, thus increasing his line to 1,000 shares, and reducing his marginal protection to about 12 points, kidding himself with the hope that a substantial advance is under way, and with the promise that "hereafter" he will settle back into more conservative methods.

How the "Suicide Bug" Works

Now let us see how the financial suicide bug gets in its nefarious work. Following a flurry of activity at "D" the market begins to ease off and then slumps to 85 or under, at "E"—a decline of over 5 full points.

After the smoke clears away our trader learns that his equity has been pared down $5,000, leaving $7,100, or enough to margin 300 or 400 shares, making it necessary to unload 600 or 700 shares of excess baggage at a crushing loss.

The irony of this situation lies in the

fact that our trader is without sufficient buying power to participate in the subsequent orderly advance to above 94, at "H," which would have left his original commitment showing a profit of 9 full points, equivalent to $4,500, and his equity at $14,500.

If our trader with his remaining $7,100 persists in plunging, and continues to pyramid on every advance, without adequate protection, it will not be long until a moderate reaction wipes out his equity entirely. This constitutes financial suicide.

What's the answer?—*Don't overtrade.*

PRESENT POSITION OF THE STOCK MARKET

(*Continued from page* 509)

better, and the added effect of strength in these groups should further augment the average of the industrials and thus aid the average price of fifty stocks.

In the above we have mentioned only one or two of the most important factors. There are many others. For example, the revival in business which is beginning to get under way; the fact that confidence is being restored; that most of the large corporations, having paid off their bank loans or funded their indebtedness, are now better supplied with working capital than ever before, carrying smaller inventories and keeping their organizations together during dull times. Industrial corporations are in the pink of condition for such a revival.

Nor have we discussed the effect of the enormous gold supply in this country, which is being augmented at the rate of about thirty million dollars a month, forming a basis for several times that much credit. Nor the vastly increased purchasing power of the farming community, which after several years of comparative hardships, is now on the way to benefit itself and everyone else in the country. To say that there are no possibilities of increased dividends among industrial stocks which make up the averages, would be putting a short halter on the business expansion possibilities just ahead.

While it does not pay to grow too enthusiastic (speaking for ourselves, we believe our feet are very much on the ground), we cannot as yet form any definite conclusions as to when and at what particular levels this average price will stop rising. We are now in a very interesting and highly important period in the world's history. The best and safest method of procedure, therefore, is to maintain an open mind, continue in harmony with the strong upward trend now in force, and be watchful for such turn in events as will justify an altered attitude.

For articles to appear in the August 16th Issue see Page 537.

HOW CAN INVESTORS SHARE IN THE RECOVERY OF THE SOUTHWESTERN ROADS?

(Continued from page 531)

mediate prospects. The speculative possibilities of the common, however, should be considered.

MISSOURI-KANSAS-TEXAS

Its Adjustment 5s Seem Attractive

THE Missouri-Kansas-Texas Railroad, which emerged from receivership on March 31, 1923, commenced operations with its property in a much improved condition. About 14% of the mileage formerly included in the system had been discarded as unprofitable. Its obligatory interest charges had been materially reduced by the exchange of some of its junior bonds for other securities, having only a conditional claim. In short, the company had been established on a firm financial basis.

Before and since discharge of the receiver, the "Katy" greatly benefited from the development of the petroleum industry in the territory it traverses. In 1923, by way of illustration, the amount of oil carried was nearly six times as large as a decade before. This has reduced the road's dependence on agricultural products.

The road has outstanding Prior Lien bonds which have been issued in three different series. They are subject to some $30,000,000 First 4s of 1990, which were not disturbed in the reorganization. The interest charges on all of the "Katy's" bonds bearing a fixed rate of interest is now less than $5,000,000 per annum, whereas the amount available was double this sum in each of the past two years. The long-term issues of Prior Lien bonds, namely, the 4s and 5s due in 1962, are still on an attractive basis. **At current prices they yield about 6%, and in view of the margin of safety are desirable investments.**

The company's Adjustment 5s of 1967 are entitled to a maximum of 5% if earned and become cumulative January 1, 1925. They have paid the 5% rate since issuance. In 1923 the income available was $5,260,000, while the sum required was $2,790,000. Mainly due to larger earnings during the five months of 1924, which will make the 5% rate still more secure, these bonds have advanced to 61. **At this price the yield is 8%, and since earnings are so much in excess of the amount needed to continue regular payments on this issue, the Adjustments possess further speculative possibilities.**

Nothing has so far been paid on "Katy's" $23,939,000 7% preferred stock. Net income for 1923 was equivalent to $8.70 per share and on the basis of results for the early months of 1924 will be far greater this year. The company will be in a position to start dividends in the near future. The issue becomes cumulative January 1, 1928, and prior to that time

the rate paid, if any, would probably be lower than 7%. **At its present price of 42 "Katy" preferred has only partly discounted its ultimate possibilities.**

The common stock is far removed from any dividends for a long time to come, but will move in sympathy with the senior issues.

ST. LOUIS & SAN FRANCISCO

Why Its Income Bonds Seem More Attractive Than Its Preferred

THE "Frisco" is the main competitor of the Missouri, Kansas & Texas, operating in much the same territory. Its capital set-up in is also very similar, consisting of Prior Lien bonds, Income bonds, and two issues of stock. Its chief claim to distinction lies in the success of its management in reducing its operating ratio to something approaching pre-war figures. In 1923, the operating ratio was 73%, or much lower than that of other comparable roads.

"Frisco's" Prior Lien bonds sell at approximately the same prices as those of the "Katy" and can be considered equally attractive. The company has two separate issues of bonds the payment of interest upon which is dependent upon it being earned. The Cumulative Adjustment 6s of 1955 are entitled to 6%, when earned, but if the full amount is not paid in any year it must be made up before the securities junior to it obtain anything. The Income 6s of 1960 receive their interest only after the Adjustments have been fully taken care of, and are not cumulative. The maximum rate has been paid on each since 1916.

On October 1st, next, a semi-annual payment of 3% will be paid on the Adjustments and an annual payment of 6% on the Incomes. This has not as yet been officially declared payable, but the fiscal year ending June 30, 1924, out of which it is payable, will have produced more than enough net income to cover both payments.

The Adjustments are now selling at 77 and the Incomes at 68. Considering the 6 points to come off the latter on October 1, they appear extremely cheap. In the recent advance they have lagged behind other railroad securities of their calibre.

The company's preferred issue is very small and 6% can easily be paid upon it whenever the directors see fit. In view of the moderate sum required (there is only $7,846,000 of this issue outstanding) it is surprising that dividends have not already been inaugurated. It is difficult to predict, of course, how long this policy will be adhered to. **Under the circumstances, however, the Income 6s at 68 seem preferable to the preferred stock at 53.**

The common stock is a fairly large issue. There is no early prospect of dividends, although $6.34 per share was earned in 1923. **It should not be bought with any view to an immediate return but after a number of years may be in line for some disbursement.**

VENEZUELA'S SLOWLY RISING OIL TIDE

(*Continued from page* 550)

of one-eighth royalty, by the American-British Oil Co., subsidiary of Standard of New Jersey, which has agreed to ten years continuous development at the Standard's expense. The central area is under option to the Dutch-Shell Co. on similar conditions and the western area is being developed by British Controlled. In the El Mene field about 30 wells have been drilled, some of them having an initial production of about 2,500 bbls. daily. Production here is at the rate of about 15,000 bbls. weekly which is sold to Dutch-Shell.

STANDARD OF VENEZUELA, as its name indicates, is one of the operating subsidiaries in Venezuela of the Standard of New Jersey. It has acquired 83,000 acres by contract from the Maracaibo Oil Exploration Co. and has brought in two producing wells on the Las Barrosos Concession.

LAGO PETROLEUM is a newcomer, having been organized in 1923 at Delaware, U. S. A. Its properties consist of 116 concessions on the bed of the lake, totaling some 2,800,000 acres. Lago absorbed the British Equatorial Oil Co., Ltd., of London, which had an authorized capitalization of $7,500,000, par $5, and $1,000,000 outstanding. The British company had the right to select 290,000 acres in Periza, shore concession in the La Rosa field, and acreage in Monogas. The company's well in the La Rosa area recently flowed 3,000 bbls. through a half inch choker. Another well is drilling in the marine zone less than half a mile from the La Junta well of the V. O. C., Ltd.

CREOLE SYNDICATE's properties consist of 11,961 acres all in the marine zone on the northeast and northwest shores of the lake. Drilling contracts have been arranged on a royalty basis, involving some 1,800 acres of land with the Gulf and another large operating company.

Conclusion

The above, in brief, are the outstanding developments in the Venezuelan oil fields to date. In studying the situation one is struck with the tendency on the part of big producers to distribute the risks inherent to oil development by joining in with other companies in developing properties. In some cases a big oil company will have an interest in some parts of the properties of half a dozen other big concerns, which in turn will have an interest in sections of the properties of the first company. In this way the eventuality of the number of brilliant successes being offset by an equal number of failures, is minimized. The development of the Venezuelan oil fields is a noteworthy example of carefully regulated exploitation by big capital and contains an economic message of importance.

UNLISTED UTILITY BOND INDEX

(IN ORDER OF PREFERENCE)

POWER COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Appalachian Power Co. 7s, 1936 (Non-Callable)	B	103¾	104¼	6.70
Penn.-Ohio Power & Light 8% Notes, 1930	B	106	107	6.50
Indiana Power Co. 7½s, 1941	B	101	103	7.15
Tennessee Power Co. 1st 5s, 1962	A	89	92	5.40
Appalachian Power Co. 1st 5s, 1941	A	94¾	95½	5.35
Alabama Power Co. 1st 5s, 1946	A	95	96½	5.25
New Jersey Power & Light 1st 5s, 1936	B	91	93	5.80
Parr Shoals Power Co. 1st 5s, 1952	B	88	90	5.70
Nebraska Power Corp. 1st 5s, 1949	A	95	96½	5.30
Hydraulic Power 1st & Imp. 5s, 1951	A	99	100	5.00
Union Elec. Light & Power Co. 1st 5s, 1933	A	97	98	5.25
Idaho Power Co. 5s, 1947	A	93	94	5.60
Texas Power & Light Co. 1st 5s, 1937	B	94	95½	5.50
Ft. Worth Power & Light 5s, 1931	A	98	99	5.20
Central Ga. Power Co. 1st 5s, 1938	B	90½	92	5.80
Electrical Development of Ontario 5s, 1933	A	95½	97½	5.40
Adirondack Electric Power 1st 5s, 1962	A	96	99	5.05
Carolina Power & Light 1st 5s, 1938	A	98½	99¼	5.10
Madison River Power Co. 1st 5s, 1935	A	98	99	5.05
Shawinigan Water & Power 1st 5s, 1934	A	100	101	4.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A	105	106	5.40
Consumers Power Co. (Mich.) 1st 5s, 1936	A	98¼	99	5.05
Salmon River Power 1st 5s, 1952	A	96	99	5.20
Great Western Power Co. 5s, 1946	A	94½	95¼	5.30
Mississippi River Power 1st 5s, 1951	A	95½	96¼	5.25
GAS AND ELECTRIC COMPANIES				
Burlington Gas & Light 1st 5s, 1955	B	83	87	5.90
Twin State Gas & Electric Ref. 5s, 1953	B	80½	82	6.30
United Light & Railways 6s, 1952	B	96	96½	6.20
Tri-City Railway & Light 5s, 1930	B	95	96	5.80
Bronx Gas & Electric 1st 5s, 1960	A	89	92	5.65
Dallas Power & Light 6s, 1919	A	101	102½	5.80
Portland Gas & Coke 1st 5s, 1940	B	93	95	5.45
Denver Gas & Electric 1st 5s, 1949	A	96½	98	5.25
Indianapolis Gas Co. 1st 5s, 1952	B	90	92	5.45
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A	96	97	5.20
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B	102½	104	7.05
Evansville Gas & Electric 1st 5s, 1932	B	95½	96	5.90
Cleveland Elec. Ill. Co. 5s, 1939	A	99½	100¼	5.00
United Light & Railway 5s, 1932	B	91½	93	6.05
Cons. Cities Light, Power & Traction 1st 5s, 1962	C	71	72	7.20
Houston Light & Power 1st 5s, 1931	B	97½	98½	5.30
Nevada-California Electric 1st 6s, 1946	B	94	96	6.25
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B	96	97	5.60
Rochester Gas & Electric 7s, Series B, 1946	B	108½	109½	6.20
Syracuse Gas Co. 1st 5s, 1946	A	95	96½	5.25
Buffalo General Electric 1st 5s, 1939	A	99	100	5.00
TRACTION COMPANIES				
Galveston-Houston Electric Railway 1st 5s, 1954	B	81	84	6.20
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B	93½	95	6.55
Northern Ohio Traction & Light 6s, 1926	B	97	99	6.95
Knoxville Railway & Light 5s, 1946	C	90	92	5.70
Columbus Street Railway 1st 5s, 1932	B	92	94	6.05
Kentucky Traction & Terminal 5s, 1951	C	75	75½	7.05
Detroit United Railway 1st Coll. 8s, 1941	B	106	107	7.30
Nashville Railway & Light 5s, 1953	B	91	94	5.40
Memphis Street Railway 5s, 1945	C	73	75	7.20
Schenectady Railway Co. 1st 5s, 1946	C	50	54	10.30
Topeka Railway & Light Ref. 5s, 1933	B	87	89	6.60
HOLDING COMPANIES				
American Power & Light 6s, Series A, 2016	B	94	95	6.30
Standard Gas & Electric Co. 6s, 1935	C	90	92	7.15
Penn.-Ohio Edison 6½s (notes), 1927	C	98	100	6.50
General Gas & Electric s. f. 7s, 1952	B	97	101	6.90
American Gas & Electric 6s, 2014	B	95½	96½	6.10
Middle West Utilities 8s, 1940	A	105	107	7.40
TELEPHONE AND TELEGRAPH COMPANIES				
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A	96¾	97½	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A	94½	96½	5.35
Ohio State Telephone Co. Ref. 5s, 1944	A	96	97½	5.35
Western Tel. & Tel. Collateral Trust 5s, 1932	A	96	98	5.35

* Yield computed at the asked price.

WE SPLIT COMMISSIONS WITH A STOCK EXCHANGE MEMBER!

(Continued from page 520)

net and free from all or any rebatement, return, discount, or allowance in any shape or manner whatsoever, or by any method or arrangement direct or indirect; and no bonus or any percentage or portion of the commission shall be given, paid or allowed to any business sought or procured for any member of the Exchange."

Since pointing out the utter foolishness and very doubtful honesty of his statement might have disclosed my position, I let the matter stand. Anyway he seemed to be getting a little nervous. In fact, by now he appeared to doubt my good intentions.

Then the telephone rang. There ensued a very animated conversation over the wire at the end of which Mr. "Broker" (?) rose and walked over to the cashier's cage. "Cover that 100 shares of Bayview Chemical that Mr. . . . . is short. He telephoned."

Could that be the game, I wondered? Putting one customer short and the other long?

Mr. Bucket Shopper Believes in Bonds

"Well, I don't know just what to do," I confessed after he had taken his seat again for what appeared to be another long session. "I've got $5,000 that I want to invest as soon as possible, but I can't afford to lose it. I was just wondering if it wouldn't be more sensible for me to buy bonds."

And he actually agreed that it would! "Not such a bad sort after all," I was thinking as I reached for my hat, "at least his intentions are good in one respect."

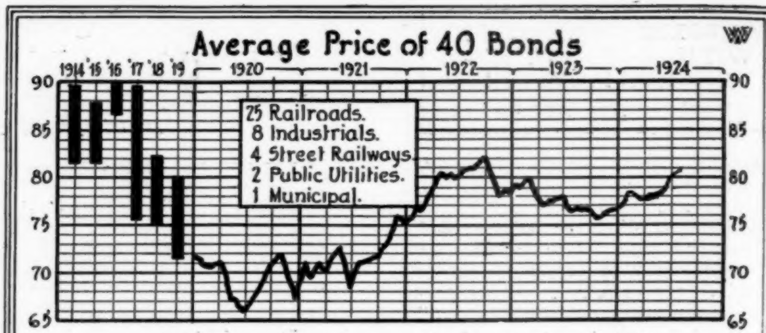
But instinct or habit, whichever it was, got the better of him. "You might use a thousand in a margin account, however," was his suggestion, "and just see how you make out."

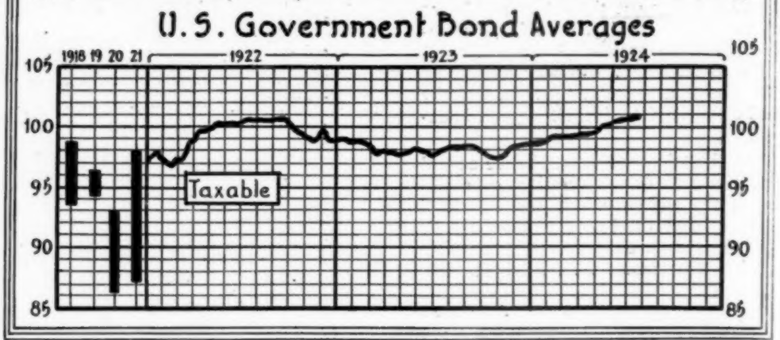
I agreed to think it over and in the event I decided to do so to mail a check along with my order. Then he suggested that I leave the check and mail the order as in that way the order could be executed on receipt.

"Couldn't feel safe about it," I advised. "You see I don't know your firm well and since you're not members of the Exchange—"

"Not being members of the Exchange doesn't mean anything," he interrupted. "We have met all our obligations for more than twenty years, and besides there are any number of responsible houses not members of the Stock Exchange (mentioning a well-known investment banking house)—and Co., for example. But if you have any doubts about our integrity, then I wouldn't advise you to open an account with us."

Which was good, sound advice, whether well meant or not, and I decided then and there to take it.





MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N. Y. Times 50 Stocks High	Low	Sales
Thursday, July 10......	89.36	96.65	86.83	90.62	89.36	932,200
Friday, July 11.........	89.37	97.38	87.09	90.27	89.37	811,827
Saturday, July 12.......	89.94	97.60	87.15	90.33	89.94	423,500
Monday, July 14........	89.90	97.50	87.51	90.92	89.90	935,714
Tuesday, July 15........	90.02	97.40	87.68	90.99	90.02	1,000,215
Wednesday, July 16.....	89.68	96.85	88.08	90.69	89.68	1,003,276
Thursday, July 17......	89.40	96.85	88.00	90.51	89.40	1,089,478
Friday, July 18.........	90.14	97.40	88.60	91.27	90.14	1,122,960
Saturday, July 19.......	90.79	98.09	88.69	91.38	90.79	487,200
Monday, July 21........	91.07	99.02	89.15	92.10	91.07	1,105,353
Tuesday, July 22........	91.60	99.36	89.37	92.52	91.60	1,316,726
Wednesday, July 23.....	91.71	99.40	89.60	92.55	91.71	1,294,880

MONTGOMERY-WARD & CO.

(*Continued from page* 537)

for sinking funds on account of the preferred and class "A" stock, before dividends can be paid on the junior shares.

While these arrears appear large, it must be borne in mind net earnings last year were over 7 million dollars. For the first five months of the current year, sales showed an increase of approximately 18½% over the same period in 1923. Assuming that, for the entire current year, the increase will amount to only 15%, sales for 1924 would total 150 million dollars. The margin of profit was 5½% in 1922 and the same ratio last year. If this ratio were maintained this year (and there seems no good reason to doubt that it will be) profits in 1924 would be 1 million greater than in 1923, or 8.2 millions. After allowing for dividends and sinking fund requirements for the senior shares, these profits would be equivalent to approximately $5.25 a share for the 1,141,251 shares of common stock outstanding. Even were the management to pay off all accumulated arrears on the "A" shares this year, although this is unlikely, the balance remaining would be equivalent to $2.30 for the common stock and the common would then be in a position to participate in all earnings in 1925, after deducting only about 2.2 millions representing dividend and sinking requirements on the preferred and "A" shares.

With all due allowance for the great improvement registered in business conditions, a management able to effect such a complete rehabilitation in the affairs of a company in so short a time is certainly deserving of the confidence of its stockholders—a view which has been borne out by the recent gradual advance in the price of the stock. With ample working capital, that item standing at 24 millions at the close of last year, and considering the favorable outlook for continued profitable operations, common stockholders are warranted in anticipating dividends some time next year in spite of the large amount of prior obligations which must

be liquidated before distributions can be made.

Its Trade Position

The company is one of the largest mail-order houses in the country, its volume of business being second only to that of Sears, Roebuck & Company. However, its showing during the past two years has been better than that of its larger brother. Sears, Roebuck's sales for the first five months of the current year increased only 2¾%, whereas an increase of 18½% was registered by Montgomery & Ward. The company's operations extend throughout the United States, Canada, Mexico, South America, the Far East and other parts of the world. It owns in fee 3⅛ acres of ground, on which its large eight-story warehouse is located at Chicago. It also operates branch houses in Kansas City, St. Paul, Portland, Oregon and Oakland, California, the latter having been opened early this year. The company also owns and operates numerous factories, turning out its own implements, hardware, house furnishing, etc.

Conclusion

Stockholders may feel satisfied with the showing of the past two years and promise held out for the future. The shares, which are now selling around 29, are not suitable for the stock trader who demands quick action and is not satisfied to wait for gradual appreciation of his equity, but indications are the investor who is willing to wait for results to be reflected in market value and is not influenced by minor intermediate fluctuations, will be amply rewarded for his patience.

Securities and Commodities Analyzed in this Issue

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Allied Packers	3¼— 4
Pr. Pfd.	35 — 37
American Arch (5P)	85 — 90
American Book Co. (7)	100 — ..
American Cyanamid (4P)	98 —103
Pfd. (6)	73 — 76
Amer. Thread pfd. (5%)	4 — 4⅛
Amer. Type Founders (7)	102 —103
Pfd. (7)	101½—103
Atlas Portland Cement (4)	84 — 89
Babcock & Wilcox (7)	123 —125
Borden Co. (8)	127 —129
Pfd. (6)	104 —107
Bucyrus Co.	77 — 80
Pfd. (7A)	96 —100
Celluloid Co. (6)	52 — ..
Congoleum Co. pfd. (7)	95 — 98
Crocker Wheeler	22 — 27
Pfd. (7)	70 — 75
Cushman's Sons, Inc. (3)	53 — 55
1st Pfd. (7)	98 —102
2nd Pfd. (8)	97 —100
Eisemann Mag. pfd. (7)	43 — 47
Franklin Rwy. S.	80 — 90
Ide (Geo. P.) & Co., Inc.	9 — 11
Pfd. (8B)	77 — 79
Jos. Dixon Crucible (8)	134 —138
Ingersoll Rand (8P)	230 —250
John-Manville, Inc. (3P)	104 —107
Lehigh Port'd Cement (3)	59 — 60
McCall Corp'n	53 — 57
Pfd. (7B)	113 —118
Merck & Co. pfd. (8)	60 — 64
National Fuel Gas (5P)	100 —103
Nat'l Licorice Co. (5P)	75 — 85
Pfd. (6)	80 — 90
New Jersey Zinc (8P)	142 —147
Niles-Bement-Pond	34 — 37
Pfd. (6)	.. — 75
Phelps-Dodge Corpn' (4)	100 —110
Poole Engin'g (Maryland):	
Class A	18 — 21
Class B	15 — 18
Purity Baking Co. (3)	43 — 48
Richmond Radiator Co.	14 — 17
Pfd.	77 — 83
Royal Baking Powder (8)	130 —135
Pfd. (6)	98 —100
Safety Car H. & L. (8)	107 —110
Savannah Sugar (6)	62 — 67
Pfd. (7)	83 — 86
Sheffield Farms (6)	105 — ..
Pfd. (6)	89 — 92
Singer Mfg. Co. (7)	146 —149
Superheater Co. (K)	101 —104
Technicolor, Inc.	7½— 8½
Thompson-Starrett (4)	70 — ..
United Bakeries	78 — 80
Pfd. (8)	95 — 96½
Victor Talking Mach. (8)	125 —130
Ward Baking "A"	100 —105
Ward Baking "B"	23½— 24½
Pfd. (7)	88½— 89½
White Rock (K)	10¼— 11¼
2nd Pfd. (5)	52 — 57
1st Pfd. (7)	85 — ..
Yale & Towne (4P)	63 — 66

* Dividend rates in dollars per share designated in parentheses.

P—Plus Extras.

A—Arrears of 27¼% being discharged at rate of 7% annually in addition to regular dividend rate.

B—In arrears 16%.

x—Ex-Dividend.

K—Dividend rate on this stock not established.

THE action of Over-the-Counter stocks during the fortnight reminded observers of the period during 1921-2-3 when this market supplied so many interesting price movements. Advances were general through the list and in not a few cases the price gains were impressively large. Thus, to note the movements occurring in a few of the issues quoted in our table, Allied Packers prior preference gained 20 points from its recent low of 15 to sales at 35; Bucyrus sold at 79½—the highest point so far touched by this stock on the movement frequently covered here, and comparing with a bid price of 66 two weeks ago; all the Baking stocks were strong, Cushman selling up 15 points at 55, Ward "A" at 102, up 12 points, and United Bakers at 79.

Strength in Over-the-Counter stocks is a natural sequence to the great improvement in investment sentiment generally and the upswings recorded in listed issues. As so frequently pointed out here, the Over-the-Counter list in large measure consists of securities of the highest investment calibre, making the market particularly responsive to changes in industrial and credit conditions. With the money supply as ample as it is today, and an improving tone shown in many of the basic lines of industry, there seems no reason to doubt continued activity in the Over-the-Counter list.

Allied Packers, Inc.—The strength in the prior preference shares of the Allied Packers, Inc., was duplicated in the cases of this company's other outstanding securities. The 8% bonds sold, during the fortnight, at as high as 80, comparing with a recent low of 55; the 6s sold at 66, up from 48½; and the common stock, which changed hands a few weeks ago at as low as 1½, moved up to 3½.

For an explanation of the improvement in Allied Packers' securities the investor may examine the course of food prices in recent weeks. As everybody knows, very substantial advances have been recorded in corn, and the improvement has been shared in the hog market, where prevailing prices are up some $2 a 100 from the level recently ruling. This recovery not only strengthens Allied Packers' balance

sheet position, insofar as it raises the value of its large inventory, but it also means increased earnings for the company over the period now being passed. As a matter of fact, the company has already indicated its increased earnings ability in its showing for the first six months of the current fiscal year which was substantially better than during the same period of 1923. This department continues to regard the company's prior preference shares with favor as a short-pull speculation.

Equipment stocks, notably, **Superheater, American Arch** and **Poole Engineering,** showed signs of renewed activity, reflecting a more optimistic outlook in the trade itself. As a matter of fact, American Arch has been little, if at all, affected by the recent dulness and its shares are very attractive as a semi-investment at current levels. Directors of Poole Engineering voted to conserve cash rather than pay out the July dividend on the "A" stock, and there is now an accumulation of $3 per share on this issue. It is of decided interest as a long-pull speculation. Superheater is understood to be enjoying increased trade activity and there seems to be no reason to withdraw a previous recommendation of the issue, for spec-vestment, made when the stock was selling at a higher level.

Lehigh Portland Cement—A new addition to our quotation list, the capital stock of Lehigh Portland Cement, is based on the belief that this company's affairs will interest investors.

Up to a few months ago, there was no activity in this stock due to the small floating supply. In April of this year, however, some 48,000 shares of the issue which had been held in the treasury of the Kelly Island Lime & Transport Co., were offered to shareholders of that company for subscription, so that this portion of the company's capital, at least, is now publicly held.

The company is one of the leaders of the Portland cement industry. The growth of this industry is indicated by an analysis of production and shipments which shows that total production in 1923 was 137 million barrels, against 88 million in 1914, while shipments reached 135.9 millions, against 86.4 millions ten years previous. Portland Cement is used in several different fields, and according to an analysis recently published in "The Index" of the Mechanics & Metals National Bank, 25% of consumption goes into public and commercial buildings, 24% in paving and highways and 21% in miscellaneous farm uses.

Lehigh Portland's ranking in the cement industry is indicated by its shipments last year of more than 15 million barrels. This trade position is one of its favorable features; another is the very strong asset position of the company which, according to unofficial advices, has current assets of close to 15 millions and practically no debts, the book value of the stock being approximately $98 per share.

The company's capitalization consists solely of 223,674 shares of capital stock.

Figured on the basis of the price the company is now receiving for its product at the mills, and assuming a profit ratio of as little as 10% of gross, the company's 1923 production of 15 million barrels would mean a net profit for the stock of over $3,000,000. The company's capitalization, in terms of dollars per barrel of production, is figured at $1.30, against $1.70 for Atlas Portland Cement Co. and $1.90 for Alpha.

Lehigh Portland Cement has paid stock dividends since 1917 as follows: 1917, 50%; 1922, 20%; 1923, 25%.

WHY SO MANY GOOD BUSINESS MEN ARE UNSUCCESSFUL INVESTORS

(*Continued from page* 519)

among the securities of from a half a dozen to fifty companies' stocks and bonds, according to the total invested. The writer saw the other day the investment list of a business man which included upwards of fifty *one-share lots.* This is making a vice out of diversification. Such a wide diversification not only involves too much checking up from time to time but is expensive, for one pays above the market for small lots and receives less than the market when one sells. The more "round lots" (i. e., 100 shares of stock and $100, $500 or $1,000 in bonds) one holds, the more satisfactory the results. (*Continued on page opposite*)

HIGHER-GRADE MUNICIPALS

		Rate Interest	Maturity	Approximate Yield
N	Mississippi	4¾	May 1940-50	4.40
N	Minnesota	4¼	June 1954	4.30
N	Minnesota	4½	June 1954	4.35
N	Minnesota	4¾	June 1954	4.40
N	South Dakota	5	July 1942	4.80
	Fort Worth, Texas	5	Feb. 1948-64	4.70
N	Chenango Co., N. Y	4½	Feb. 1937	4.15
N	Alabama	4½	Dec. 1946-47	101¼
N	Alabama	4½	Dec. 1942	101½
N	Tulsa, Okla.	5½	Feb. 1947	4.65
N	Tulsa, Okla.	5½	Feb. 1928-30	4.60
N	Illinois	4½	Aug. 1933-41	4.20
N	Kansas	4½	July 1934 & 49	4.15
N	Illinois	4	March 1940-44	.98
N	North Dakota	6	Jan. 1942	4.90
N	Passaic, N. J	4¾	March 1947-51	4.35
N	Atlanta, Ga.	3½	1931	4.35
N	Iowa	4¼	Dec. 1934	4.20
N	North Carolina	4¾	Oct. 1963	106½
N	Minneapolis	5	1931-32	4.30
	Wilmington	4½	1940-42	4.37
	Multnomah Co., Ore.	4¾	Feb. 1930-43	4.45
N	Cleveland, Ohio	4¾	Apr. 1932-53	4.30-4.25
N	New Mexico	5	Jan. 1952/32	4.40
N	Detroit, Mich. Reg.	5	Dec. 1950	4.37
N	Detroit, Mich.	4½	June 1954	4.30
N	Kansas City, Mo.	4½	July 1942	4.15
N	Oklahoma City	5	Jan. 15, 1936-43	4.50
	Port Huron, Mich., S. D	4¾	1932-33	4.50
	Kansas City, Kans	4¾	Feb. 1944	4.50
N	Missouri	4½	1943-44	4.15
N	Des Moines, Iowa	4½	Apr. 1944	4.25
	Kansas City, Mo. Schl. Dist.	4½	July 1935 & 45	4.20
N	Trenton, N. J. Reg.	5	July 1941	4.35
	Pasadena, Calif.	4½	March 1940-51	4.50
N	Detroit, Mich.	4¼	June 1937-46	4.25
N	Hempstead, S. D., No. 22	4¾	July 1930-53	4.30
N	Duluth, Minn.	4½	Apr. 1937-47	4.25
N	Newark, N. J.	4½	March 1952-64	4.20
N	California	4½	1931-44	4.25
	Omaha, Neb.	5½	May 1941	4.50
	Cleveland Heights, Ohio	5½	1928-34	4.50
	Edgewater, N. J., S. D	5	June 1928-44	4.50
N	Springfield, Ill.	5	1932	4.25
N	South Bend, Ind.	4½	1944	4.25
N	Charleston, S. C.	4	1937-38	4.40
N	New York City	4¼	June 1974	102⅝
N	Butte, Mont.	6	July 1941/36	4.70
N	Monmouth Co., N. J	4½	Mch. 15, 1934-53	4.25
N	Burlington Co., N. J.	5	May 1931-34	4.35
	Burlington, N. J.	4¾	May 1937-44	4.40
N	Michigan	4½	1944	4.15
	Portland, Ore.	4	1936-41	4.40
N	Jacksonville, Fla.	5	1938-44	4.40
N	Michigan	4	1932	4.20
N	Chicago	4	Jan. 1937	4.20
N	St. Louis, Mo.	4½	1940	4.15
N	Los Angeles, Calif.	4¾	Feb. 1956	4.50
N	White Plains, N. Y. Reg.	4½	Jan. 1940-44	4.15
	Nashville, Tenn.	5	May 1931-64	4.60

N—Legal for Savings Banks in New York State.

The business man with funds to invest should seek intrinsically sound securities with satisfactory yields, ready markets and prospects of appreciation in values. This sounds neither new nor difficult. It is not new but it is indeed difficult, for it sums up in a few words the entire theory of successful investment.

There is no method by which one may learn to discriminate between sound and unsound securities except by concentrated investment study. The advice of one's banker is good as far as it goes, but as already pointed out, **each investment problem is individual and can be correctly seen only through the eyes of the person concerned.** Your banker or your trusted friend can analyze your problem only as *he* sees it—and that may or may not be the proper angle for your purposes. There are many reliable sources of information which the investor has at his disposal to enable him to determine the intrinsic value of securities. This publication maintains an investment Inquiry Department whose sole purpose is to assist in solving the investment problems of our readers.

The matter of return on one's money, or yield, is exceedingly important. Too high a yield is worse than too low for more often than not the former is a danger signal. One may expect a greater return on one's funds in times of tight money than when money is easy.

The matters of diversity and marketability afford no great obstacles to anyone with ordinary intelligence. The problems of what to buy and when to buy, however, call for wide knowledge and experience and the discernment which comes from both.

We present herewith a tabulation which represents, in our opinion, a typical and well balanced investment list for a business man with approximately $50,000 surplus funds. It will be seen that this list meets the requirements of diversity, security, satisfactory return on the money, marketability and prospects for appreciation. Whether or not the business man reader of this article intends to invest at this time, the table will still be of practical use to him insofar as it serves to illustrate the type of securities appropriate for the investment of a business man's funds.

In a recent issue, Mr. E. D. King pointed out the fallacy of regarding any investment as *permanent.* Investment conditions change and the status of securities change, some very slowly and some with astonishing rapidity. The successful investor must always be ready to change with them. In short, the investor, whether business or professional man, or whatever his status is, must be always on the alert, and abreast of the times in addition to possessing a well-grounded working knowledge of the science of investment. The business man must devote a great deal of the same study and thought to his investment problems that he does to his own business. That is the law of successful investment as well as successful business. In fact, it is the law of every success.

WHICH STOCK GROUPS ARE IN THE MOST FAVORABLE POSITION?

(Continued from page 523)

billion pounds compared with but 896 millions in 1922. Production, however, rose from 950 million pounds to 1.4 billions.

So far in the current year, production has shown a further increase which has just about been offset by increased exports and domestic consumption. As a result, prices have attained unusual stability around the present level of 13c. per pound. An increase in price to 13.50 cents a pound earlier in the year failed to hold, due to a gain in stocks on hand.

There is no reason to expect any early change in the copper situation. Those companies that have been able to make money in the past year due to low costs will continue to make it and those with high production costs may have to content themselves with lean profits.

The long-range outlook of the copper industry, however, is promising. It is predicted that the future growth of the electrical industry will in time be hampered by a shortage of copper which would mean that producers would be in a most satisfactory position at least so long as their ore reserves held out. Improvement in the European situation should mean larger exports which is of vital importance to the copper industry. Prospects are favorable for continued stability.

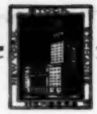
It can be seen from the accompanying graph that the average index price of copper stocks has not fluctuated to any great extent since the beginning of the year. Most securities in the group are now around the high levels of the past six months, but they are still selling on a very fair yield basis and may be considered in a good market position.

There is evidently a good opportunity here for the buyer who is seeking a long-term stock investment rather than speculative profits. While an upward move might not materialize in this group for a long time to come there is little doubt but what the majority of stocks in the group will ultimately sell at considerably higher levels. **Such securities as Chile Copper, Kennecott, and Cerro de Pasco may be purchased at present prices from the stock-investment standpoint.**

TOBACCO

ONE of the few industrial groups able to report stable earnings for the current year has been the tobacco industry. In fact, it would appear probable that several of the tobacco companies will report larger earnings in 1924 than in the previous year, although 1923 was a prosperous one, on the whole, for this group.

Consumption of cigarettes in the first five months of the current year amounted to 28 millions compared with but 25.2 millions in the same period of 1923. Consumption of cigars declined about 6% and manufactured tobacco registered a slight loss. Costs are being held down by cigarette manufacturers and, with an indicated increase in consumption of 10%



for the year, it is likely that they will be able to show higher earnings. On the other hand, cigar manufacturers are not expected to do so well, and the same is true of manufacturers of smoking and chewing tobaccos. The consumption of these latter products shows a gradual downward trend which is likely to continue over a period of years.

Thus, the outlook for the industry holds promise of better things for one division and decreasing profits for others. The investor should bear this in mind in his selection of tobacco securities.

The tobacco stocks are now selling, on the average, about 6½ points above their 1924 low and about 5½ points below their 1924 high. In other words, they are about midway between the range for the year so far. Many of the securities in this group are entitled to sell at higher levels, particularly those of investment character, which should ultimately be affected by the present ease of money rates. The favorable situation that exists in the cigarette division of the industry has not been discounted. **American Tobacco, Tobacco Products and P. Lorillard are apparently the three most promising issues in the group.**

COAL

AS a result of lessened industrial activity within the past few months, the demand for coal has fallen to unusually small proportions. Both the anthracite and bituminous producers have been seriously affected although the former group experienced the more drastic slump in demand. Stocks of coal on hand at the beginning of the year were the largest on record during normal times. Bituminous production for the first five months totaled 197 million tons compared with 227 million in the same period of last year. Anthracite production was 38.2 millions against 42.5 millions in the first five months of 1923.

In spite of lessened production, the unfavorable industrial situation cut down demand to such an extent that consumption has not been materially in excess of current output. This means that large stocks have had to be carried, at an evident loss to producers and distributors alike. Prices have suffered rather drastic declines. There has as yet been no indication of improvement in the industry, and none is likely to occur until general industrial actvity has materially increased. **Improvement will be slow.**

There are not many coal stocks which enjoy an active market. The average index price of three issues shows them to be selling around the lowest levels of the year and about five points below the high points previously established. Judging from conditions in the industry, few issues in this group are entitled to higher prices at this time.

The shares of the distributing companies—that is, the companies whose business consists of distributing rather than producing coal—appear to be in the better position. **U. S. Distributing, Burns Bros. "B," and Philadelphia &**

Reading Coal & Iron should be given consideration over any other securities in the group.

SUGAR

THE high prices prevailing for sugar during the past year have had the effect of greatly increasing production, the Cuban crop being estimated at well over 4 million tons compared with but 3.6 million tons last year. It is this increased production that has had much to do with the downward trend in sugar prices during the past few months. The present quotation of 5 cents a pound for raw sugar represents quite a drop from the 7.16 cent quotation for Cuban raws duty paid at New York on March 12, last.

Another factor has been the unseasonable weather in this country which has decreased consumption and caused an increased supply of sugar on hand. A hand-to-mouth buying policy has also prevailed. And in spite of the fact that several of these causes of low prices may be classed as more or less temporary, **the outlook for producers is not satisfactory. It will be a year or more in all probability before conditions can be sufficiently righted to permit of fair profits.** Present prices are too low to allow profits and there is not much likelihood of a rise until present large stocks on hand have been worked off. **The refiners have suffered inventory losses through price reductions but with prospects of more stable prices in the future, their position is much better than for some time in the past.**

The recent market action of this security group reflects the unfavorable outlook. The average index for six stocks is sixteen points below the year's high and now hovers around the lowest levels for the past two years. The group is not in an attractive position marketwise, although several individual securities may have possibilities. **One issue that is to be recommended at this time is Cuba Cane Sugar Preferred, which is, of course, speculative inasmuch as dividends are not being paid at present. Another attractive stock is Punta Alegre.**

RAILWAY EQUIPMENT

FOLLOWING a rather heavy volume of business in the first four months of the year, equipment buying has been diminishing heavily. For the month of May, car orders amounted to but 511 cars or the smallest total since 1921. When it is considered that orders for May, 1923, amounted to 1,689 cars, the extent of the decline is readily appreciated.

Recent buying of locomotives has been of unusually small proportions which accounts for the fact that manufacturers have been operating below fifty per cent of capacity.

While it is true that the railroads have ordered the greater part of the equipment they are likely to need in the current year or even in the first part of 1925, it must be remembered that conditions in the money market are favorable for new equipment financing. For this reason it is not unlikely that the equipment busi-

ness will pick up during the fall and winter, although not to any great extent. The railroads will undoubtedly take advantage of low money rates for the purpose of equipment loans and arrange to fill their equipment needs considerably in advance of requirements.

Even now there is an improving tone in the equipment market, and inquiries are increasing. Railway equipment manufacturers' profits will be small during 1924, and there will be cases where dividend reductions are necessary. **For the greater part of the industry, however, the outlook is for gradual improvement between now and the end of the year.**

There has been quite an advance in the railway equipment shares within the past two months, as evidenced in the present average index price. This figure now stands at 128 compared with a high for the year of 131 and a low of 117. Higher prices have resulted in part from a realization of the strong cash asset position of most companies and their evident ability to maintain present dividend rates until business improves. The investor should avoid the stocks of weak companies in this group. **American Locomotive, Lima Locomotive, and Railway Steel Spring are preferable to others.**

DAYLIGHT AT LAST FOR THE FARMER

(Continued from page 517)

cent, while agriculture has a turnover of less than 30 per cent. Also they have far more inherent flexibility in modifying their products both as to quantity and kind. They can meet changing conditions nimbly. The farmer's program is made up at least a year ahead, and in some sorts of farming it is necessarily planned and irrevocably determined upon for a series of years. Of course, there are some manufacturing industries that are not mobile; which have long processes or a particular product. Their "comeback" problem was similar to that of agriculture and a number of them have been very slow in getting on their feet again.

Farming is farming, farmers follow it for better or worse, and its fundamental nature cannot be altered by law or decree. To those problems of agriculture which at bottom have their origin in the same conditions as the like problems of other kinds of enterprise, we should learn as a matter of habit to apply the business principles we use in meeting business problems. Success in dealing with business problems depends upon the ability to get and grasp essential facts and act upon them courageously and intelligently in accordance with economic law.

This is the process through which the greatest permanent benefits may be conferred upon agriculture. It requires analysis of business problems into their simplest terms, the experience and knowledge to indicate the course which should be taken for improvement, and the cour-

age to enter upon this course, regardless of its apparent present hardships.

This method of dealing with industrial and agricultural problems goes to the heart of matters. It brings conditions into accord with economic principles and permits economic forces to have their natural and beneficial effects. In its nature it is altogether different from the method which manifests itself in attempts to find a solution of problems, poised by economic factors, through arbitrary statutory enactment. It recognizes that economic conditions are the results of economic factors which must be dealt with by economic instrumentalities. The regulation of economic conditions by statute belongs to an earlier age, to the age of sorcery, alchemy, astrology and the divine right of kings; to an age when monarchs undertook to set aside the course of nature by their mere fiat. It has taken many centuries of repudiating experience to eradicate this superstitious belief in the power of law in the economic domain—and the job isn't completely done yet—though much legislation for the past one hundred years has consisted in the repealing of old laws of that sort. When applied to business, the regulation of economic conditions by law has a withering effect. A method with which business men cannot cope in their sphere, certainly would not meet the needs of agriculture.

Summing up, I should say that there is every prospect now that agricultural improvement will continue, and perhaps become marked before the autumn is far advanced, and that this improvement in agriculture is sure to be a strong maintaining force for other forms of enterprise, many of which are in a period of hesitation, if not of depression.

Coincidentally, there will be less of a tendency to mix economics and law.

Altogether, agriculture may be destined to assume this fall the leadership in a new advance in American prosperity.

HOW MUCH OF A MARKET FACTOR ARE PRESIDENTIAL NOMINATIONS?

(*Continued from page* 515)

the slogan of the Wilsonites and to that the Republicans could find no adequate reply. The country had prospered tremendously under the Wilson administration. The first great war boom of 1915 had swept from public mind the unsatisfactory years of 1913 and 1914. No matter what administration was in the saddle, the war boom and its attendant prosperity would have materialized just the same. But it is the law of politics that the party in power gets the credit or must bear the blame, no matter how little that party has done to win the credit or incur the blame. When the voters went to the polls the thoughts that the country was not at war and was enjoying unprecedented prosperity, were uppermost. Under the conditions it is rather remarkable that Wilson's plurality was only about 600,000 over Hughes. In this election about eighteen and a half million votes were cast.

At the time of the 1916 nominations the market had reached the bottom of its first considerable reaction from the war boom of 1915. After the nominations it went on up to its high, made in November of 1916, which was followed by a year of declining prices and then another war boom. The market was mainly an industrial affair and its rise was chiefly due to the abnormal demand for industrial products and the abnormal profits which war conditions made possible. Politics had little to do with it.

The 1920 conventions are still fresh in the memory. The Republicans met in Chicago June 8 with Henry Cabot Lodge as presiding officer. On the tenth ballot Warren G. Harding of Ohio received 692⅕ votes which were enough to nominate. Calvin Coolidge of Massachusetts was Harding's running mate. The Republican platform charged the Democratic administration with having kept the country unprepared for war and, as was the case four years previous when the Democrats declared "He kept us out of the war," the opposition could find no adequate answer.

The Democratic convention met in San Francisco, June 28, and on the 44th ballot nominated Gov. James M. Cox of Ohio. The Democratic platform endorsed the Wilson administration and the Covenant of the League of Nations. At the polls in November the Republicans won one of the greatest victories in their political history, rolling up 16,152,000 votes against 9,147,000 for the Democratic nominee. In this election there were five Presidential candidates, but the other three outside of the Republican and Democratic nominees, polled a total of but 1,364,618 votes. The total vote cast was 26,674,171.

In 1920 the market was undergoing liquidation following the great boom of 1919. This liquidation started eight months prior to the nominations and continued through 1920 into 1921. The bottom was reached in August of 1921 and all will recall that period of declining business and declining security and commodity prices which tried men's souls.

The Presidential nominations and the Presidential election had little to do with the decline. It was the natural reaction from a period of overexpansion and inflation.

The recent Republican convention at Cleveland and the Democratic convention at New York were not market factors of importance. No soul-stirring issue is before the country and the two nominees are both excellent choices. Speaking from a non-political angle it would appear that neither business nor finance has anything to fear no matter which one of the two Presidential candidates is elected. Following an initial decline early in the year the industrials started on the upward trend before the conventions and are still on that track at this writing. The rails sympathized with the early decline in the industrials to only a slight degree. New factors and conditions are governing the prices of railroad securities and, if all signs are right, a new era is dawning for the railroads.

Summarizing our study of Presidential nominations and their effect upon

security prices in the last thirty years, we find that with the exception of the Bryan nomination in 1896, Presidential nominations have not been important market factors. The market rises and falls from a number of deep, economic reasons and rarely is politics the moving factor. It becomes evident, then, that the importance of Presidential nominations and Presidential elections as market factors has been greatly overemphasized.

WHEN AND WHEN NOT TO BUY SERIAL BONDS

(Continued from page 526)

issues. One is the refunding method, which is the custom of allowing the issue to approach maturity and then refund it in its entirety by a new issue sold for that purpose.

Within recent years, however, the tendency has been to insert sinking-fund provisions in most indentures which provide for a regular annual sum to be set aside from earnings and to be used in retiring the bonds at maturity. When this method of payment is used, the important considerations are the terms of the sinking-fund provision and the regulation of the fund. If the indenture provides for the bonds being purchased in the market or called for payment as monies accumulate in the sinking fund, the interests of the holders are fairly well safeguarded.

But an even more practical method of amortization of a bond issue is by means of serial payments. A serial bond issue is usually payable in annual instalments, these instalments sometimes being of equal size each year and sometimes increasing in size as final maturity approaches. The latter method of serial payment is by far the better since it takes into account the decreasing size of interest payments and more equally distributes the burden of total payments over a period of years. Thus in the accompaying graph it will be seen that as bonds are redeemed each year and the total interest payment on the unredeemed balance becomes smaller, then the amount of bonds redeemed in the following year is larger. In this way, the total yearly payments by the mortgagor fluctuate to a very small extent.

The advantages to the serial bondholder are found in the lessened danger of being compelled to foreclose or renew the mortgage, and the steadily increasing equity behind the unredeemed bonds. In order to fully appreciate these advantages one has to but refer back to the other types of bond issues. There are even now several large corporations with large outstanding bond issues that must be refunded during the coming year. One of these in particular is destined to have trouble in borrowing the amount of money necessary for the redemption of its maturing bonds due to the fact that poor earnings in recent years have impaired its credit position. It is likely that the holders of the bonds will have to accept a refunding issue in place of the return of their principal.

And yet if during the twenty years that the bond issue of this corporation has been in the hands of the public regular reductions had been made in the outstanding amount by means of serial redemption, the refinancing difficulties of the corporation might easily have been averted! It is also interesting to note that this same bond issue was retired in part by means of sinking-fund purchases but inadequate provisions were the cause of an insufficient amount being purchased to allow the corporation to avoid its present financial troubles.

So in buying serial bonds, one should remember that, all other things being equal, he has secured a higher degree of safety than is otherwise possible. Of course, the mere fact that a bond issue has been drawn up in serial form does not make it gild-edged, but if the property value and earning power is there, then the added safeguard of the serial redemption feature is something not to be lightly considered.

CAN A YOUNG BUSINESS WOMAN ASSURE A LATTER YEAR INCOME OF $20 A WEEK?

(*Continued from page 547*)

cash in or leave. Dividends have accumulated with the policy.

$1,000 *Mutual Ben. Life, 20-Payment. Last payment last April, so that this next April I must decide to cash in or leave. Dividends have been deducted from policy each year.*

$5,000 *Guaranty Fund, Omaha, Neb., straight life policy, premium $98.30. Have carried it 3 years.*

I am a Methodist minister, $2,000 salary, 43 years old, wife and one daughter eight years old. I have $2,000 in bonds, yielding about 6%.

My inclination is to cash the two policies. The question is whether I ought or not, and if I should, whether or not I should take more insurance and, if so, what kind.

I shall thank you very much for your consideration.—W. I. W., ———, Indiana.

I am glad to be of such service to you as I can.

I would strongly advise you *not* to take the cash surrender value of the two paid-up policies but to leave them with their accumulated dividends for the continued protection of your family and your own protection. You will remember, of course, that the premium rates for these paid-up policies taken 20 years ago were much lower than premium rates on new policies would be taken at your present age. Furthermore, these policies still continue to participate in the annual distribution of surplus.

I would also advise you to apply for as much additional life insurance as you can afford to carry—preferably on the 25-Payment Life plan under which all premium obligations would cease on your attaining 68 years of age. I presume that your salary from professional activities may extend to that age. In a non-participating company, the premium per $1,000 for a 25-Payment Life policy at age 43 is about $31 and in a participating company it is about $38. If you decide that you can take on this additional insurance you might, perhaps, apply part of the interest from your bonds to meet the premium payments.